

GEO

Guyana Economic Opportunities

Rapid Appraisal

Trade Policy	by Andrew Schmitz
Macro Economic Policy	by Edgar Gordon
Information Technology	by Lance Hinds
Private Sector Organizations	by Gordon Studebaker
Investment and Export Promotion	by Siegfried Marks
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SECTION I

An Assessment of Trade Policy within the Ministry of Trade,
Tourism and Industry

I. PURPOSE AND BACKGROUND

The purpose of this assignment is to determine the training and technical assistance needs of the Ministry of Trade, Tourism and Industry (MTTI) in order to strengthen the Ministry's capacity to analyse, formulate and implement trade policy. The original project design had called for a variety of types of assistance to strengthen the Ministry's Trade Policy Unit. Specific tasks include:

- Determine the types and quality of trade policy analyses currently performed in the MTTI as well as those which the Ministry needs/desires to perform
- Assess the analytical skills and capabilities of Ministry staff currently undertaking trade policy analysis
- Determine areas for strengthening the analytical capacity
- Identify candidates within the Ministry who would be trained
- Assess the current staffing patterns, including that of the Trade Policy Unit, and recommend which types of assistance would be most appropriate
- Determine the status of Guyana's preparations for meeting WTO and FTAA accession requirements and recommend possible interventions to assist with meeting the requirements
- Identify data shortcomings within the Ministry, which limit the ability to undertake timely policy analysis.

The overall mission of the Ministry of Trade, Tourism and Industry is to formulate and provide an effective mechanism for the implementation, evaluation and improvement of policies, the aim of which will be to facilitate economic and social improvements through co-ordinated action in the areas of Trade and Trade Liberalisation, Tourism, Industrial Development and Consumer Affairs. Specific to foreign trade the key stated responsibilities are:

- Formulate and articulate a comprehensive trade policy for Guyana
- Support regional integration initiatives by securing more trade arrangements and increasing trade within CARICOM
- Consult and co-ordinate trade issues with relevant local agencies and international organisations and institutions
- Co-ordinate and monitor the operations of trade agreements
- Provide advice and support to producers regarding barriers to entry, market definitions, etc.
- Provide data, analysis, reports, policy papers and seminars to stakeholders both in and outside of government
- Develop and maintain a structured relationship and liaison with Overseas Trade Representatives
- Support trade promotion activities
- Facilitate domestic trade activities through the identification and removal of barriers to trade
- Process and review of import and export licenses

II. STRUCTURE OF THE MINISTRY OF TRADE, TOURISM AND INDUSTRY

The structure of the Ministry of Trade, Tourism and Industry as of July 1999 is shown in exhibit A. The Foreign Trade Department is highlighted. The department, which has become

unofficially known as the Trade Policy Unit (TPU), has a Director (acting) Kim Stephen and four analysts; Rajdai Jagarnauth, Lancelot Wills, Paul Dookun and Jermonica Walcott. As indicated in exhibit A these people have solid backgrounds in Economics and Management. In addition, two staff members, namely, Ms. Rajdai Jagernauth (1994) and Ms. Kim Valentine (1996), were exposed to a three-month Trade Policy course offered at the World Trade Organisation (WTO) Secretariat in Geneva.

Previous consultants had endorsed formally implementing a Trade Policy Unit to fulfil the tasks outlined earlier. As Of July 1999, this unit has not been formally introduced, however some of the recommendations of previous consultants have been implemented consistent with the establishment of a Trade Policy Unit. Specifically the Trade Department has installed an elaborate computer network, although some of it should be updated. While these networking helps in accomplishing the mission of the Ministry, major shortcomings still exist.

The Foreign Trade Department currently performs the following types of duties (most of which are reactive rather than proactive).

- Represent Guyana / Ministry at meetings, etc.
- Disseminate information to relevant missions, embassies, private sector, etc upon request
- Co-ordinate the PL480 Program
- Co-ordinate with other Ministries and Private Sector organisations Guyana's position on regional trade issues
- Assist in co-ordinating trade promotion activities - overseas missions, trade fairs, exhibitions, etc.
- Submission of notification requirements to WTO
- Co-ordinate national positions with respect to WTO, FTAA and other international trading entities
- Although the current staff of the Foreign Trade Department has excellent academic qualifications, additional training is needed to ensure that the staff knows how to perform their functions efficiently and effectively to achieve the goals of the Foreign Trade Division.

The limiting factors for this unit to be effective have to be overcome. Strengthening is needed in the following areas:

- Training in trade negotiation and trade policy formulation
- Most of the staff need to be trained in the use of computers – how to use spreadsheets, etc.
- Further training in data retrieval and analysis, utilising the necessary software
- In addition, the staff needs to be trained in how to organise their files (reports, etc) on the computer so that the other members of staff can find and make use of these documents
- Establishment of an electronic library, so that all data relating to the various trade agreements, etc can be set up in an electronic format for easier retrieval
- There is also a need for at most two persons with specialised training in computer information systems and trade as it relates to the unit
- At least one resource personnel is needed, geared at system administration, technical advise and maintenance
- Possibility of acquiring additional software that will aid in data analysis

The unit (which we propose should be officially implemented) is designed to function as a Statistical Base for a wide spectra of trade data, as well as a medium for the analysis of trade data through the use of specially tailored software. It should also function as a base for necessary desktop publishing, graphic design and acquisition of vital information off the Internet. The capital outlay, in terms of equipment for the unit has been adequate for executing the primary functions of the unit. However, the current equipment could be upgraded (the majority of the computers are Pentium II 266 MHz with 32mb ram, 512K cache and 1.96 GB hard disk).

Currently Natasha Sweatnham (BSc Economics) is involved in the collecting and processing of the data for the database and other computer related operations. Specific to this work some of the problems have been mentioned above. Immediate needs are:

- Training in computer science
- Updating the current equipment (computers)
- Establishing links with other Departments within MTTI and agencies/Ministries outside MTTI.

Clearly training by the staff in the foreign trade division along the line suggested above is needed so that their work and analysis dovetails easily with the work plan currently being undertaken by Natasha Sweatnham. For example, the staff should be adequately trained to download the data electronically from a central data unit.

MTTI's database currently consists of trade data on Guyana that is acquired from the ASYCUDA System located at the Customs and Excise Department of the Ministry of Finance. Each month a diskette is sent to the Ministry of Trade, Tourism and Industry with the imports and exports for that month, this is entered in the MS Access database. From this database, information on the imports and exports by country and/or by commodity can be accessed.

The Bureau of Statistics has also indicated their willingness to provide the Ministry of Trade, Tourism and Industry in an electronic format, any data that they acquire. To date nothing has been forthcoming. Trade data is also collected from the CARICOM Secretariat however; the Secretariat is encountering difficulties in acquiring data from member states. The Pink Sheets from the WTO Website are downloaded to augment some of the information in the database.

The Tourism Department collects data on such aspects of tourism like arrivals/departures, etc. Neither the Industrial Department nor the Consumer Affairs Department is involved in any substantial data collection.

A. Other Departments

In terms of the other Departments of the overall Ministry of Trade, Tourism and Industry the Tourism Department consists of a Director, two technical staff and two research assistants, the Industry Department consists of a Director, one senior industrial analyst and two industrial development analysts and the Consumer Affairs Departments consists of a Director, two technical staff and one research assistant. The largest department is the Administrative Department.

B. Tourism

The objective of the Department of Tourism is to develop and enhance a sustainable tourism sector in Guyana, within the wider context of tourism development in the Caribbean, and promote tourism products and the tourism industry with the goal of increasing the net foreign exchange earnings from tourism. Its needs are product market development and research, marketing and public relations.

Key Responsibilities:

- Develop Ecotourism in Guyana within the wider context of tourism development in the Caribbean
- Monitor the development of the tourism industry
- Enhance the regulatory environment of tourism
- Identify tourism resources and facilitate their sustainable development
- Conduct market research and analysis to facilitate the identification of market niche/segments
- Facilitate investment in the tourism industry
- Improve standards and quality of service in the hospitality sector and the reliability and quality of air transportation services
- Provide training for industry stakeholders

In order to carry out these responsibilities it is recommended that Technical assistance for the department should focus on

- Destination management and marketing
- Project preparation and management
- Public relations
- Development of a destination management system
- Policy formulation

C. Industrial Development

The Department of Industry was established to formulate and provide an effective mechanism for the implementation, evaluation and improvement of industrial policies in Guyana. This mission statement should therefore provide direction for the long and short-term programme/activities to be executed by this department. Apart from academic training, the staff has not been exposed to specialised training in Industrial/Regional policy areas, which are

fundamental to the work of the department. There is also need for exposure to project appraisal and management training, statistical analysis for some members of the staff.

D. Administrative Department

The goal of this department is to provide prompt and efficient office support services to increase the Ministry's output in Trade, Tourism, Industrial Development and Consumer Affairs. It consists of four units human resources, accounts, general administration and the data unit.

Table 1 below illustrates areas of needed improvements for this department.

Table 1 – Needs of the Administrative Department

Activities	Request	Remarks
HUMAN RESOURCE	Counselling Skills. To provide an opportunity for the developing and practising skills in counselling for the office.	External Training recommended. To include staff from Consumer Affairs. Computer required for the purpose of Computerising Personnel Data/Information.
ACCOUNTS	-Financial Management Training to enhance the Managerial, analytical and other skills of the Accounting Staff.	Computer Requested.
GENERAL ADMINISTRATION & DATA UNIT	-Professional Secretarial Practice to provide Secretaries with the techniques and skills required for sound office practices. Data Management. Ministry Protocol. Computer Programming. Computer Service and Maintenance.	Two Computer Systems required.
GENERAL	Computer Training. Foundation LBM. PC/MSDOS. Computerised Accounting Computerised Typing. Word Processing -Microsoft Word for Windows. -Word Perfect for Windows. Operating Systems.	

Activities	Request	Remarks
	-Windows 95 Windows 97 Windows 98. Spread Sheet. -Lotus 1-2-3 -Foundation Excel. -Advance Excel. Introduction to the Internet.	
ADDITIONAL EQUIPMENT		Laptop Computer and Projector (Specifically for Training Sessions) Spiral Binder. Industrial Photo Copiers (1 for Tourism Promotion Function)

It is important to stress that the work by the various departments should have a central mission as emphasised in the overall mission statement seen earlier. Tourism for example should not be viewed as separate from International trade and development. In addition, Industry and trade are obviously linked for example, industrial development generates expanded trade and the removal of trade barriers generally facilitates capital formation by the private sector.

Co-operation is also needed in data collection for policy formulation and analysis. Associated problems stem from data disbursement to the Integrated DataBase (IDB) of the WTO and CARICOM databases. The non-submission of data by the Trade Policy Unit has resulted in the lack of access to the IDB facilities on the WTO and CARICOM WebPages.

III. WORLD TRADE ORGANISATION (WTO) REQUIREMENTS, FREE TRADE AREA OF THE AMERICAS (FTAA), CARIBBEAN COMMON MARKET (CARICOM), MERCOSUR AND THE ANDEAN COMMUNITY

A. WTO

The only international body that deals with the rules in trade between nations. It provides the legal ground rules for international commerce. It has been signed by governments and aimed at helping producers of goods and services, exporters and importers conduct their business. The legal text of the WTO consists of 60 agreements, annexes, decisions and understandings.

The WTO Agreements cover goods, services and intellectual property and spells out the principles of liberalisation and the permitted exceptions. Individual countries are committed to lower customs tariffs and other trade barriers and to open and to keep open the services market. They set procedures for settling disputes, prescribe special treatment for developing countries and require governments to make their trade policies transparent by notifying the WTO about laws in force, measures adopted and regular reports by the Secretariat on member countries trade policies.

The General Agreement on Tariffs and Trade (GATT) for goods, and the general Agreement on Trade in services (GATS) as well as the trade related aspects of intellectual property Rights (TRIPS) falls in the largest areas of trade and shared a common outline although the details are quite different.

The other part of the Agreement consists of detailed and lengthy schedules (or lists) of commitments made by individual countries allowing specific foreign products or service providers access to their markets. These take the form of binding commitments of tariff for goods in general and combination of tariffs and quotas for some agricultural goods. For GATS, members commitments state how much access foreign service providers are allowed for specific sectors and include also a list of types of services that members do not apply the MFN- most favoured nation principle of non-discrimination.

Developing countries are expected to play an increasingly important role in the WTO and are becoming more important in the global economy. Member states are expected to comply within the limits of the WTO principles.

B. FTAA

The effort to unite the economies of the Western Hemisphere into a single free trade arrangement was initiated at the Summit of the Americas, which was held in December of 1994 in Miami. The Heads of State of the 34 democracies in the region agreed to construct a **"Free Trade Area of the Americas"** or FTAA and to complete negotiations for the agreement by 2005. The leaders also made a commitment to achieve substantial progress toward building the FTAA by 2000. Their decisions can be found in the Miami Summit's Declaration of Principles and Plan of Action.

The effort to build the FTAA is a dynamic process that involves three essential components: 1. the Trade Ministers of the Western Hemisphere, who have developed the overall work plan for the FTAA; 2. The 12 FTAA Working Groups established by the Trade Ministers that are gathering and compiling information on the status of trading relations in the Hemisphere. These groups have now been transformed into nine Negotiating Groups; 3. In addition, the Vice-Ministers of Trade of the Western Hemisphere, who co-ordinate the efforts of the working groups and make policy recommendations to the Trade Ministers.

The 12 working Groups (seven were established in Denver; four in Cartagena and one in Belo Horizonte) met on numerous occasions, at locations throughout the Americas. In addition to gathering information, each working group was directed by the Trade Ministers to examine trade-related measures in its respective areas, in order to determine possible approaches to negotiations. The Trade Ministers also instructed their Vice-Ministers to accept recommendations from the Working Groups in order to "direct, evaluate and co-ordinate" their work. Since the San Jose Ministerial, the 12 original Working Groups were transformed into nine "Negotiation Groups." The ambitious goal set by the leaders of the Western Hemisphere at the 1994 Summit of the Americas in Miami to create a free trade area has been given a significant push forward by the completion of the San Jose Declaration on March 19th, 1998.

This Declaration, agreed by the Trade Ministers of the 34 participating democracies in the Free Trade Area of the Americas (FTAA) process, served as the basis for the launch of the Hemispheric trade negotiations by heads of state and government in Santiago, Chile on 18-19 April, 1998. It represents a commitment by 34 countries to the most ambitious undertaking for trade liberalisation since that time. It also represents the largest regional integration effort ever undertaken involving both developed and developing countries in a common objective to realise free trade and investment in goods and services, on a basis of strengthened trading rules and disciplines.

The breadth of the negotiations, which will be set in place by the San Jose Declaration, is unprecedented even by the standards of the Uruguay Round. These negotiations will encompass all of those areas previously negotiated and which fall within the World Trade Organisation has ambit, with the goal of going beyond previously agreed multilateral liberalisation within the Hemisphere, wherever possible. Importantly, however, the FTAA negotiations will include areas not presently under the WTO such as a common investment regime, government procurement, and competition policy, which are not yet subject to commonly agreed disciplines among a large number of trading nations.

Equally, the FTAA negotiations will examine the interrelationship which exists between certain key negotiating areas, such as agriculture and market access; services and investment; competition policy and subsidies; antidumping and countervailing duties, among others, so as to ensure that the outcome of negotiations are as efficient and liberalising as possible. The differences in level of development and size of participating economies will be taken account of in the negotiations in order to ensure that the smaller countries within the Hemisphere will be able to equally benefit from the ensuing trade liberalisation. During the negotiations elements of civil society will have the possibility to make their views known on issues to be negotiated, as well as on the important relationship between trade and the environment and on labour issues as they may affect trade.

C. CARICOM

CARICOM was established by the Treaty of Chaguaramas in 1973 as a movement towards unity in the Caribbean. Its membership now stands at fourteen. These are Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Monsterrat, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Surinam Trinidad and Tobago and Haiti. Its objectives include:

- Economic co-operation through the Caribbean Common Market
- Co-ordination of foreign policy among the independent Member States Common services and co-operation in functional matters such as health, education and culture, communications and industrial relations.

The CARICOM Single Market and Economy (CSM&E) facilitates development of member States in an increasingly open and competitive environment. It allows free (unrestricted) movement of factors of production - goods, services, capital and labour. It also facilitates or supports economic measures as deemed appropriate and is expected to provide the framework

for efficient and competitive production of goods and services for the regional and international markets.

Guyana also shares associate membership with MERCOSUR (Southern Cone Common Market) which comprises four of the largest Southern American countries, namely, Brazil, Argentina, Paraguay and Uruguay and has established Bilateral under the auspices of CARICOM with a few countries of the Andean Community, such as, Colombia and Venezuela.

As an institutional member of the ACS (Association of Caribbean States) and the ACP (African, Caribbean and Pacific States), Guyana is a beneficiary of some of the Multilateral Trading Agreements of these regions.

The Lome Agreement is very critical to Guyana's economic future given the preferential treatment accorded Guyana. For example, over 70% of Guyana's Sugar export are destined to the European Union at prices well over world market levels. The preferential price is in the neighbourhood of US 22-23 cents per pound. This is roughly equivalent to the internal sugar price support in the US (the world market price for sugar as of July 1999 is in the neighbourhood of US 6-7cents per pound).

IV. FUTURE DIRECTIONS

A. Enhancing Computer Skills and Database Strengthening

Computer skills are lacking in all of the Divisions of the Ministry of Trade, Tourism and Industry. For example, many of the people in the Administrative Division have little or no knowledge of computers. As indicated, the administrative division also needs additional computer facilities. These in addition to proper training; will greatly add to the ability of this Unit to carry out its mandate to provide prompt and efficient office support services to increase the Ministry's output in Trade, Tourism, Industrial development and Consumer Affairs.

Other units are relatively more sophisticated with respect to the use of computers. For example, Foreign trade personnel have working knowledge in the use of e-mail, WebPages, Word'97 etc

Proposal

- Additional computer facilities are given to several departments especially the administrative department.
- A rigorous three-month computer course be given to all staff of the ministry. (Those that are computer friendly would spend much less time than others.) The people who would be trained will be identified. This course will include such topics as MS Office and Windows. The question remains where such a course will be conducted in view of the limited space in the ministry.
- For those specialised in data retrieval e.g., Ms. Natasha Sweatnham, a more intensive training program will be developed. This course could be given simultaneously with (2) above and be given by the same instructor.

- All of the above is predicated on the availability of computer facilities to both train personnel and to continue carrying out their tasks using computer technology.

B. Guyana's Trading Partners

There is an urgent need to analyse the role and impact on Guyana of such major trading bloc as CARICOM. In addition, understanding the role of Guyana in the WTO is crucial as is predicting the consequences to changes in the Lome Agreement. The latter gives preferential treatment to exports from Guyana including sugar and rice. Currently there appears to be a great deal of confusion on exactly what are Guyana's commitment to the WTO and when these commitment are to be met also it is not clear how Guyana interface with other trading blocs.

Proposal

A separate outside consultant with PhD Qualification in International economics should undertake a project which specifically deals with the above. Some of the topics to be addressed will include:

1. WTO Commitments

- what are the requirements under the various agreements
- listing of notifications / obligations / requirements
- guidelines and format for notification / private sector consultation / co-ordination
- implementation of obligations – i.e. introduction of legislation / amendments

2. FTAA

- Under the scope of FTAA – the various Working Groups
- Identify consistency in WTO/FTAA agreement and other regional / bilateral agreements
- Analyse pros and cons of the various areas and influences
- The role of Guyana in the FTAA discussions

3. CARICOM

- Spell out Guyana's obligations under CARICOM
- Evaluate the impacts of these obligations – for example reduction of the Common External Tariff (CET)
- Amendments/adjustments to existing national legislation to more adequately reflect the new trading environment.
- Examine Guyana's trade both exports and imports from all member states in the region (that is intra and in extra regional trade)
- Co-ordinate national positions – private and public sector

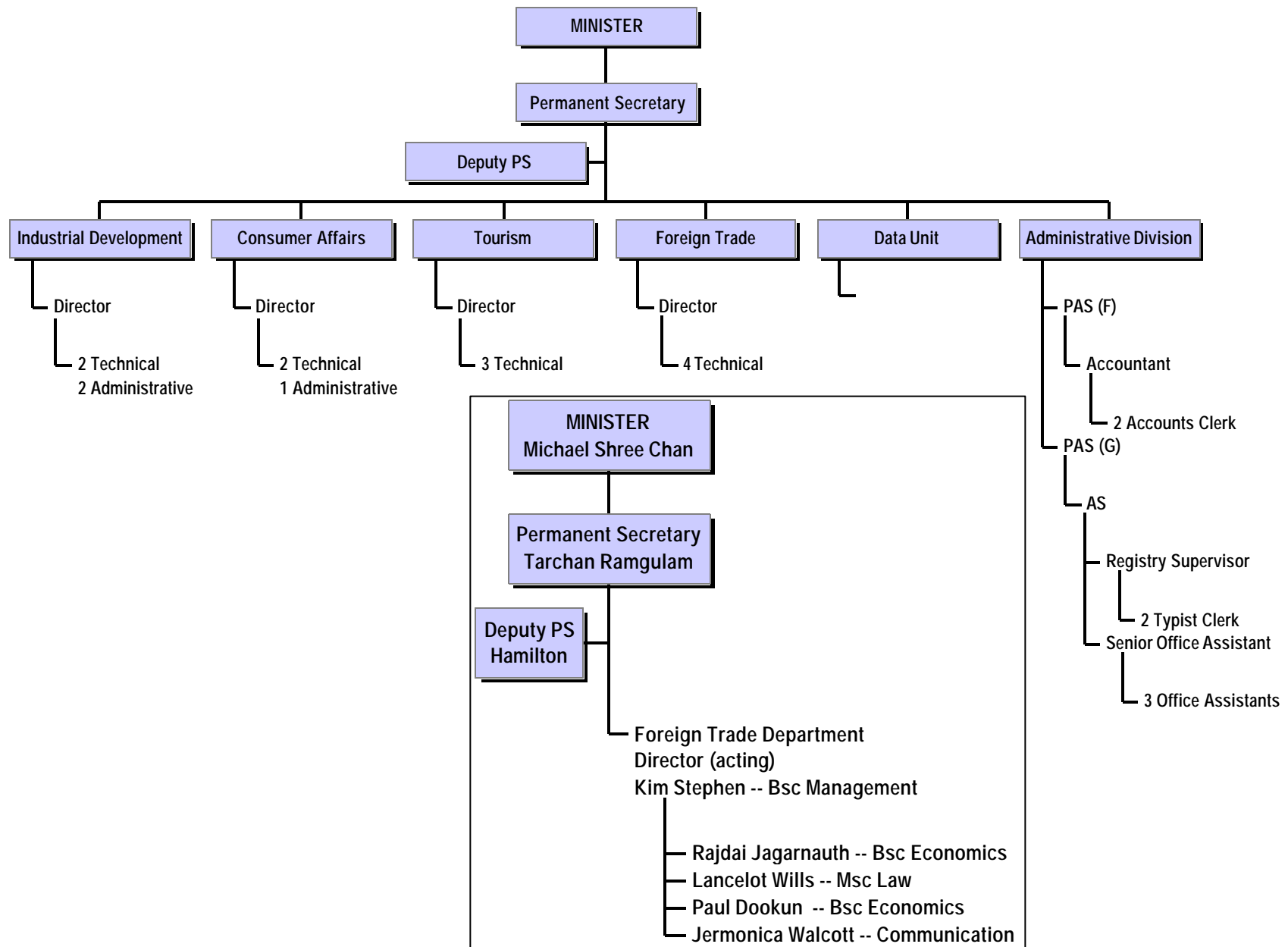
This report can be worked on and completed paralleling the teaching of Computer techniques. However, this project may take up to six months to complete, which is longer than that needed for computer training.

C. Policy Analysis

Nowhere in the Ministry is trade policy analyses carried out. Trade policy analysis involves quantifying the impacts of changes in trade policy including tariff reduction and the elimination of non-tariff barriers. In the United States for example, policy models include standard cost/benefit analyses along the lines of Just Hueth Schmitz (Applied Welfare Economics and Public Policy, Prentice Hall). Additional frameworks for policy assessment include computable general equilibrium models (these are widely used by the International Food Policy Research Institute located in Washington, D.C.

Proposal

- After the report is completed in phase II above, a three-four month theory course should be given by, PhD trained Economist on the Theory of Trade Policy and Applications. Topics would include the dynamic effects of trade liberalisation, changes in comparative advantage due to institutional change, economic gains from trade, distribution effects from policy changes, strategic trade policy, game theory approaches to trade dynamics and trade negotiation strategies. Emphasis will also be given to sectoral analysis where issues dealing with comparative advantage will be addressed. The focus will not only be on foreign trade per say, but will include industry and tourism. This course will be taken primarily by people in the Trade Policy Unit (a strong recommendation is that the Trade Policy Unit be formally established). However, this will not be limited only to staff in the Trade Policy Unit. It should be made available to other staff within the Ministry. The course should also be made available to other Ministries, including Agriculture and Foreign Affairs.
- After the above is completed, a three to four (3-4) month quantitative policy class should be given. People attending this class will already have the necessary computer skills and theoretical background. Various quantitative models will be taught and analysed and real world Guyana policy problems will be addressed. Included will be trade along with tourism and other industrial sectors. In developing models specific to Guyana, data limitations will be of concern. However, within the modelling framework the data needed to carry out the modelling will be spelled out and stored along with data currently available to the ministry. To complete the various models, additional data will be needed such as tariff and non-tariff barriers, transportation costs, input subsidies and/or taxes and demand and supply price elasticities. Some of these data are available from other ministries and some will have to be estimated from primary data.

EXHIBIT A: STRUCTURE OF THE MINISTRY OF TRADE, TOURISM AND INDUSTRY

SECTION II

A Macroeconomic Policy Unit for the Ministry of Finance

I. INTRODUCTION AND SUMMARY OF FINDINGS, RESULTS PACKAGE, INTERMEDIATE RESULT AND FIRST YEAR PROGRAM

The purpose of this paper is to determine the training and technical assistance needs of the Ministry of Finance in order to strengthen its capacity to analyze, formulate and implement policy. It soon became clear, however, in the course of working with the ministry's staff, that there were two prior questions that had to be answered before the assistance assessment could be addressed. They are:

- what kinds of problems needed to be analyzed and, given that determination
- what is the most efficient way to organize personnel.

The next section explains why this approach is necessary by describing how macroeconomic work is done now. The third section lists the issues that a policy would need to consider while the fourth part reviews alternative models of organization. The final section outlines the results package, intermediate result and the activities for the first year.

II. SUMMARY

A. Findings

- In the Ministry of Finance, the Minister must make many important macroeconomic policy decisions with a minimum of advice from senior officials and advisors
- At the technical level there is no regular staff to back up policy makers
- Planning for issues that fall outside the annual negotiation with the IMF is not possible
- The conclusion is that macroeconomic policy is made almost exclusively by the Fund
- The recruitment of necessary staff is hindered by a general shortage of such skills and inadequate government salaries
- The data base is not centralized and there are gaps in coverage and quality

B. Results

- The tasks of the macro unit would be to prepare for the IMF negotiation, monitor implementation of the agreement and the economy, help develop a data policy and prepare terms of reference for planning exercises.
- The unit should have about half a dozen professionals but longer term planning should be done by contract for the time being

C. First-year Activities

- Organization and recruitment for macro unit
- Training modules for macro analysis
- Develop and carry out policy to centralize and improve macro indicators
- Monitoring IMF agreement and economy

- Terms of reference for an export strategy study and for policy think tank
- Policy seminars for senior policy makers and private sector

III. CURRENT SITUATION

A. The Economy: Performance and Problems

A decade ago Guyana was a highly controlled, stagnating economy with a very large public sector and a crushing external debt. Reforms, which began about this time, led to a 7% annual growth rate in the period 1990-97, a rate of inflation of about 4% per year, a sharp reduction and regularization of external debt by agreement with its creditors and a considerably smaller public sector which is being steadily privatized. During this time Guyana had both a high rate of investment, was making use of idle capacity and was favored by decent world prices for its principal commodity exports.

Since 1997, bad weather, the decline of world prices and some internal political stability led to a decline in growth in 1998 and uncertain prospects in 1999. Even assuming a revival in world activity, the outlook for Guyana's principal exports, sugar, which now benefits from preferential prices in foreign markets, and gold, where there is huge inventory overhang in the principal central banks, is poor.

Guyana has reaped the reward of following IMF policy prescriptions of controlled budgets, conservative monetary policies, realistic exchange rates, fewer controls over markets and a declining public sector but now faces more deeply structural problems which require, not only better management of an existing economy, but a redirection of resources and a greater development of national skills to produce, manage and market goods and services.

These problems cannot be handled in the framework of the annual agreement with the IMF. They require serious and prolonged study and the participation of elements of the private sector as well as the government. Examples of these issues would be:

- The diversification of exports of goods and services- what combination of lower taxes and tariffs on inputs, investment incentives and marketing could produce a major increase in non-traditional exports?
- Investment – is the extremely high proportion of investment to GDP a statistical mirage and, if not, why is it not producing an even higher rate of growth? And
- Skills- what is the demand for highly skilled people and what can be done to increase supply through education, the attraction back of emigrants or the import of foreign experts?

B. The Organization of Macro Policymaking

The Ministry of Finance is the senior ministry in the government because it controls the budget, revenue and finance functions. For the same reasons it is responsible for macroeconomic policy with the assistance of the Bank of Guyana, which is subordinated

to it. In addition to his traditional duties, the Minister is Chairman of the State Planning Commission, which manages the capital budget and its relationship to the various foreign donors that finance public investment.

The minister, as a consequence, must make a great many important decisions which affect most aspects of the economy. But, in practice, he carries out his duties with the advice of a few senior civil servants, who are burdened with many operational tasks, who would, inevitably, also represent the parochial interests of their divisions and who are poorly served by well qualified technical staff.

The minister has one official advisor who has miscellaneous operational tasks. The junior minister position, normally a key post, is not filled. The post of Secretary to the Treasury, the equivalent of Permanent Secretary in other ministries, is occupied by a person whose background and duties are concerned mainly with the administration of the ministry. The first conclusion is that the minister lacks senior officials who have a ministry –wide view who can serve as his advisors.

Leaving aside the operational bureaus of customs, inland revenue, administration and the accountant-general that makes disbursements, the policy making staffs are the Office of the Budget and the Office of Planning. Unfortunately, when Planning was attached to Finance in 1992, it was accomplished administratively by making the minister head of both organizations. Overlapping functions were never rationalized or integrated by revising the basic legislation. For example, the current budget is in Budget while the capital budget resides in Planning. There have been numerous recommendations by foreign experts to put them together in the past but without effect.

Each has four divisions. In Budget they are budget preparation, fiscal, international and debt. In Planning they are macroeconomic, enterprise monitoring, project and sector analysis. To a certain extent, this is a description of an organization chart rather than an organization. Project is the key section of Planning and overlaps and duplicates sector analysis and, international relations, in budget.

With respect to the organization of macroeconomic policy making, our findings are:

- There is only one full time employee in the macro division; he has been seconded by the IMF and is soon to be their official representative in Guyana
- Elements of macro staff work are scattered around in other divisions, e.g., fiscal and debt, but it is not clear how well they are staffed
- Data is supplied by the Bureau of Statistics, a semi-autonomous entity, and the research division of the Bank of Guyana
- The senior advisors on macro policy are the minister's advisor, the director of planning, the project manager and the budget director.

The second conclusion is that the ministry of finance needs more technically qualified personnel at the senior, middle ranking and junior levels if it is to be a more effective policy maker and implementer.

C. Current Policymaking

Guyana has had an agreement with the IMF since the late 1980s. Establishing the annual targets and conditions under these agreements has been its essential macroeconomic policy. By putting one of its staff members in the Ministry, the Fund has assured itself of a higher degree of coordination of policy and a better information flow. The ability to implement the agreed policy is less certain. The thin and overburdened staff, at all levels, makes it difficult to analyze and solve problems in this area, given all the other operating issues. Issues that are outside the scope of the Fund agreement, and particularly those that involve research, analysis and consensus making, are not addressed to the degree they should be.

The third conclusion is that these longer term structural policy problems must be addressed by a mechanism that does not now exist on any organization chart.

D. Related Problems

There are two other problems that affect macroeconomic policy making in the ministry: shortages of professional personnel and a data base that lacks some series, that is in some cases, of poor quality and that is not available in a timely fashion.

The shortage of skills of many kinds is an economy wide problem but plagues the government particularly because of its low salaries in comparison with the private sector and the attraction of overseas employment. But whether that generalization holds true in every situation is a question. The macro policy function could benefit from more entry level professionals who would be easier to recruit than experienced Ph.D. economists. Second, prestige counts for something so that if a place to work is considered elite it could attract able people even at lower salaries.

Unfortunately, it appears that the ministry offers not only low salaries to entry level professionals but a long drawn out application process that may have some political bias that has turned away many applicants.

A few senior professional economists will also be necessary. The only one of that description in the ministry now is a foreign national whose salary is paid for by the World Bank. While there is discretionary authority to pay higher salaries derived from the planning legislation, it may or not be sufficient.

The data available ranges from good timely series, like retail prices in Georgetown and exchange rates, through trade data that appears fairly promptly but with somewhat spotty quality and coverage to the national accounts where the estimates are poor, incomplete and dependent on a twelve year old census.

Second, the data are not funneled into one central place in the ministry and in fact, there appears to be a tendency to direct channel it to some offices and not to others.

Third, the data is not being analyzed and put together to present a coherent picture by experienced economists who can draw the proper conclusions and make recommendations for policy makers. This final point is just another way of saying that there is no functioning macroeconomic staff.

IV. THE FUNCTIONS OF A MACROECONOMIC STAFF

The functions of a macroeconomic staff at the Ministry can be divided into two categories:

- Analysis and recommendations to solve problems that have the most impact in the short term, i.e., within the framework of the annual budget cycle, and
- Those problems that may affect the economy over five to ten years

In the first category would fall:

- Preparing the minister and his senior advisors for the annual IMF agreement
- Monitoring the implementation of the agreement
- Monitoring the economy in general to detect and propose solutions to problems which could adversely affect growth
- Insuring that the data bases used for analysis are accurate, cover all the relevant series and are timely

At present, the most important economic exercise is the annual negotiation with the IMF that establishes fiscal, monetary and exchange reserve targets and the exchange rate regime. The staff should be able to review the economic situation and present the appropriate targets and advise the minister about the measures that would be required to put the Fund's proposals into effect.

Once the agreement is in place, the staff would monitor its progress on a weekly, monthly or quarterly basis, depending on the nature of the indicators. More broadly, the staff should be in a position to detect, analyze and propose solutions to problems that have economy-wide impacts.

Although there have been improvements in recent years, the quality, coverage and timeliness of relevant data leaves much to be desired.

The staff, in conjunction with the Bank of Guyana and the Bureau of Statistics, should draw up a table of the information it needs to conduct its work, inventory the problems and propose a program to eliminate them. It should not get bogged down in statistical collection and manipulation or in the publication of another statistical bulletin.

Into the second category would fall problems such as:

- An export diversification strategy that would take into account import barriers to competitiveness, the roles of domestic and foreign investment, of promotion and any other relevant factor
- A complete overall of the national income statistics to provide an up-to-date picture of national economic activity
- A reexamination of the tax code to rationalize incentives and exceptions and consider a VAT in place of existing levies.

Several knowledgeable observers have noted that when the old planning function, reflecting a socialist orientation, was abolished, it was replaced by nothing. Since the ministry is inadequately staffed even for current macroeconomic work, it is not able to do anything about longer term problems. The consequence is that there is no strategy, in some areas, to provide a framework to judge how individual measures would contribute to the overall goal. The most important example is export diversification. Guyana has been dependant on a handful of commodities, several of which like sugar and gold have poor long term prospects. It is widely recognized that it must diversify and has to a certain extent.

Policy, however, has consisted of a series of ad hoc tax incentives for exports, investments and promotion without any overall targets or performance criteria. There is an urgent need, therefore, to study this area to design a coherent set of measures so that market incentives can work freely. The key principle is that producers of goods and services for exports have access to inputs of goods and services at world prices either directly by purchase or contract or via foreign investors.

The national accounts is based on a 1988 survey which is obviously out-of-date. The rapid growth and shift to a more market oriented economy, that has taken place in the 'nineties, has changed the relative weights of different sectors. For planning purposes, a more recent census, employing modern methods, should be undertaken soon, given that these efforts often require a couple of years to carry out.

The tax code is the most important single regulator of private sector economic activity. It reflects decisions made over a number of years that may or may not be relevant today. Given current objectives of growth and export diversification, it needs to be reexamined by experts whose report should be reviewed by a committee representing both public and private sectors.

VI. THE ORGANIZATION OF A MACROECONOMIC STAFF

Since there appears to be no authoritative organization chart of the Ministry of Finance, the best proxy is in the MOF strategic plan 1998/99 which has listed a "macroeconomic policy division" under the Office of Planning. This "division" has not been an operational entity since mid-1997. The two junior members were transferred to the Office of the Budget, the head was given additional duties and the fourth senior professional has been working on the National Development Strategy ever since. The listing in the box refers entirely to statistical series except for the mention of "sector studies". For the brief time it

was working in the first half of 1997, its production was two quarterly statistical bulletins.

The emphasis on data manipulation is a waste of time. There are problems with data in Guyana but the IMF has managed to mount a program for more than a decade in spite of its deficiencies. The biggest single problem right now is that it is not organized in computerized files so that it is easily and quickly accessible to different users. That is primarily the task of the Management Information Unit (MISU). The macro unit's task with respect to data would be to find out what is missing or inadequate and work with the sources in that sector to find a solution.

The unit's emphasis should rather be on policy analysis- what should it be, is it working as expected, what can be done, what resources should be mobilized. It needs a technically well trained head with substantial experience. He does not necessarily have to have a Ph.D. He should be supported by a half a dozen assistants some of whom should have masters degrees in economics and some experience. A few could be entry level professionals with bachelors degrees. This should be enough to provide for a mix of talents. The principal areas to cover are budgetary/monetary, international (trade, BOP, exchange rate) and investment and production. One should also have advanced statistical training.

Second, the unit should not report to the Director of Planning, who already is heavily burdened managing the capital budget and dealing with foreign donors, but either directly to the minister or his chief of staff. The minister, who is given such wide responsibilities in Guyana, should have good advice quickly, directly from the professionals, rather than have it filter up through the bureaucracy.

This unit is organized to deal with current macro problems as defined above. The earlier suggestion of a separate planning group or think tank merits further work. It would be premature to outline an organization at this time before there is anything to deal with current work. A brief feasibility study would be in order. The authors could poll the opinion of potential users and study some models abroad.

A quicker approach to planning would be for the head to draw up the terms of reference for one or two studies and then contract the work out. Once it was completed he could act as the secretary of a task force drawn from several parts of the government that could convert its findings into policies.

The inevitable objection is where do we find such people in Guyana and how could we pay them enough to come. The most difficult position to fill would be the head of the unit. The planning office has authority to pay more than the usual government scale. It is based on the Bank of Guyana pay schedule but apparently a bit lower. That might not be sufficient and might have to be supplemented from discretionary funds or by a foreign donor (other than AID). A precedent would be the minister's advisor who is paid by the World Bank. Entry level positions would be easier if recruiting were done in a business-like way and without party loyalty tests. The intermediate group might be the most

difficult. Much would depend on the unit's importance. If it were regarded as prestigious then some professionals might be willing to sacrifice some income now for the experience and the recommendation later.

VI. DELIVERABLES, RESULTS AND ACTIVITIES

The table below refers only to the macro unit, not the Project Cycle Unit of the MOF.

Table 1: Deliverables, Intermediate Result and Activities

DELIVERABLES	INTERMED. RESULT	YEAR ONE KEY ACTIVITIES
Results Package 1		
Increased capacity to Implement economic Capacity	I.R. 1.1 Strengthened capacity of the public sector	1.1 administrative order organizing and locating the macro unit in the hierarchy 1.2 recruiting personnel for unit 1.3 training modules for macro policy 1.4 organizing monitoring of IMF program 1.5 Develop program to improve macro indicators 1.6 Terms of reference for export strategy study 1.7 Policy seminars and visits for ministers and senior officials 1.8 Terms of reference for policy think tank

VII. TIMING

The timing for further assistance by the short term policy advisor would depend on whether the Ministry accepts this program and how fast the initial organizational and recruiting steps are taken. The next visit might be late September or as late as November/December. It would be devoted, whenever it took place, to helping with tasks 1.3-1.5. He would work with the IMF representative who is expected, under his terms of reference to do some capacity building and possibly with the IDB if they interested in helping out.

SECTION III

Information Technology Assessment

I. BACKGROUND

The Guyana Economic Opportunities (GEO) Project, in an effort to strengthen the capacity of potential GEO partners, beneficiary agencies and organisations to use information technology for enhanced work performance and solutions, has hired a consultant to identify the data and informatic needs of these agencies. The consultant is also to recommend all technical assistance and training which GEO could provide to improve the information and data needed by these organisations to carry out their mandates more efficiently and in a more timely cost-effective manner.

A. Approach

The overall approach towards the execution of this task is as follows:

- To work with the Rapid Appraisal Team and potential partner and beneficiary agencies to types of data and information that are needed by the agencies to more effectively carry out their responsibilities.
- To work with analysts and users of information from these agencies to determine their needs, skills, the quality and timeliness of information currently collected, analysed or used.
- To work closely with the other members of the Rapid Appraisal Team to assess needs and capabilities of possible participating agencies.

II. REVIEW OF FINDINGS

The findings outlined in this section are based on the meetings and informal discussions with potential partners and beneficiary agencies. To date, the following agencies, individuals and organisations were visited and evaluated.

- Macroeconomic Division, Ministry of Finance
- Support Staff, Project Cycle Unit, Ministry of Finance
- Tarachand Balgobin, Head, Project Cycle Unit, Ministry of Finance
- Management Information System Unit, Ministry of Finance
- Mr. George Jardim, Chairman of the Private Sector Commission
- The Private Sector Centre
- The Georgetown Chamber of Commerce
- The Essequibo Chamber of Commerce
- Mr. Steve Bovell, President of the Linden Chamber of Commerce
- Berbice Chamber of Commerce
- Upper Courantyne Chamber of Commerce
- Guyana Export Promotion Council (GEPC)

Information has also been gathered on GO-INVEST via the other members of the GEO Rapid Appraisal Team. Organisations and agencies such as the Trade Policy Unit of the Ministry of Trade will be evaluated before the Stakeholders' Conference.

A. Macroeconomic Division, Ministry of Finance (MoF)

The primary goal of this unit is to provide economic analysis and research for the Ministry of Finance (MoF). This unit requests and receives information required from selected divisions within the MoF and also external agencies. (e.g. Bank of Guyana, Inland Revenue Department, Bureau of Statistics, Customs & Excise Dept. etc.). This data is manipulated for the research, analysis and policy objectives of the Ministry.

There is no comprehensive management information system currently on operation in this unit. The majority of outputs generated are done using spreadsheet and word-processing applications like Microsoft Excel and Word. It is also unclear whether there is a structured method of data collection and processing within this department. In view of the fact there is no support staff apart from the Macroeconomic Advisor and administrative assistant, it is difficult to believe that effective data collection is at all possible in the primary instance.

The skills level, limited as it is, does not appear to go beyond the use of Word-Processing and spreadsheet applications, and possibly data entry when required. While this might be sufficient in most instances, it becomes a serious concern when it comes to the operation of management information systems. Training therefore is a major component of any informatic solutions proposed for implementation within this unit. The Macroeconomic Advisor has acknowledged the need for support staff but is unsure as to when this will be done.

B. Project Cycle Unit, Ministry of Finance

The Project Cycle Unit manages all donor-funded projects. These projects are monitored according to financing, compliance and overall progress. Information on projects classified as project profiles and maintained both manually and in electronic databases.

This division currently uses an Alpha IV database management system to record and store all project profiles. This system however has no real flexibility beyond data storage. Any reports requested have to be designed and built on most occasions. Information pertaining to project performance (i.e. Status reports, potential problems etc.) are not recorded. It would also be useful to have a systems module specifically designed to record and track the disbursement schedules as per project. The informatic requirements of this unit need to be clearly defined so as to facilitate the design, development and implementation of a integrated, responsive, user-friendly management information system. Fortunately the Head of the Project Cycle Unit is in agreement with this assessment, and has already provided some preliminary specifications for review.

Like many other divisions within this ministry, there are acute staff shortages at many areas. The computer skills that exist do not go beyond word processing and basic support for the existing project profile information system. The Head of the Project Cycle has indicated the need for extensive training and recruitment of staff.

A positive aspect of this assessment of the above divisions is the fact the Management Information System Unit (MISU) is still a strong, high qualified unit within the Ministry. What this means therefore is that the informatic solutions that will be proposed should have strong in-house technical support in the short term. Long-term sustainability must take into account however that the majority of staff currently in MISU are in the final months and/or years of their scholarship contracts with the Government of Guyana. Quite a few of these members have indicated that they will be leaving once these contracts end.

C. Go-Invest/Guyana Export Promotion Council

The function of these two agencies is primarily to promote the investment opportunities available in Guyana and to co-ordinate the exporting opportunities for local export driven business entities.

There appears to be little or no activity at these two agencies. No significant information is currently being collected or distributed. Any automated solutions planned for these agencies would have to be considered only after there is a clear indication from the Government of Guyana about the their long-term survival.

D. The Private Sector Centre

The Private Sector Centre is the research and services arm of the Private Sector Commission. The Centre carries out research in support of the PSC as in represents the Private Sector in Guyana. This Centre also functions as a business centre, with a library, computers, access to the internet and printing services.

The centre disseminates relevant information to local and foreign exporters and investors. There is also a business library and data centre. There is access to the internet and also a link to an international trade opportunities advertising service. There is lot of resource material available on CD-ROMs. Also in existence is a database of companies affiliated to all the private sector organisations, which are members of the PSC. This is also a Windows based Local Area Network (LAN) currently in operation at the centre.

The loss of two specialists during last month has severely weakened the functional capacity of the centre. The Chairman of the Private Sector Commission has expressed some concern about this current state of affairs and asked for assistance with computer literacy training for the current members of the administrative and secretarial staff. He has also indicated a wish to upgrade the current computer equipment at the Centre. While this might not be necessary in the short term, if the private centre is going to be a information repository for the private sector and related entities, some additional equipment will be necessary.

There is also no full time data administrator at the centre. This therefore brings into the questions the accuracy of the data stored and whether it is current. The chairman has also been expressed a need for a document management system to effectively reduce filing and excessive paperwork.

There is scepticism in the Private Sector about the ability of Government to effectively maintain electronic information that has any relevance to the private sector. They have indicated that data received from the government in the past has always been suspect and many cases, highly inaccurate and questionable. The PSC Chairman sees no difficulty in the centre being an electronic host for trade, market investment information once trained staff once the trained support staff are available. In fact the centre distributes monthly bulletins about exporting opportunities, Caribbean and North American trade events, joint venture information etc. What is not clear however, is how widely this information is disseminated. The private sector associations interviewed have complained bitterly about the lack of information coming from the Private Sector Centre. Whether this is a lack of proactive effort on the part of these associations or a problem with information access and distribution at the Centre is not clear at this time.

E. Other Private Sector Organisations/Associations

The overall goal of these organisations/associations is to effectively represent the business and related interests of their respective members at the national level.

There is extremely limited functional capacity within these organisations. Some have little or no office and administrative equipment and therefore participate in little or no information distribution or collection activities. Many members of these associations realise that they need market related and technical information for the overall evolution of their businesses. But many instances there is simply a lack of understanding about how to retrieve it. Internet access is also limited because of location and the unavailability of telephone lines.

Only one association currently has a computer but this is used for primarily clerical purposes. It was heartening to see a newsletter being produced by this association. Overall however, there is a tremendous requirement for:

- Training in basic computer literacy and automated office operations.
- Computer equipment.

A culture of information management and data collection then has to be introduced. Most of these organisations do not even have comprehensive listings of their membership. The consultant has now given each organisation the task of collecting basic information on their membership before his return visit. This exercise will provide some indicator as far as the ability to collect basic data is concerned.

III. PRELIMINARY RECOMMENDATIONS/ SOLUTIONS

The solutions provided in this section are preliminary in nature and scope. Functional specifications and supporting data elements will be developed during the implementation phases of this project.

A Macroeconomic Division, Ministry of Finance

The information management solution would be a macroeconomic database management system that will support the overall informatic requirements of the division and the Ministry of Finance. This system would allow relevant staff to have easy and timely access to all vital national accounts, finance, monetary and other related economic data. Some of the properties of the system would be the following:

- Standard data formats would be established for consistent, accurate data entry and structured retrieval of information.
- The information system would be configured to facilitate concurrent remote access.
- Standard reports would be designed to be generated upon request or as selected (i.e. monthly, quarterly or end-of-year). An Ad Hoc reporting utility would be implemented to facilitate individual and unique requests.

The overall objective would be to implement an Information System that would allow selected divisions to enter raw economic data on a monthly or quarterly basis. Some of the divisions are as follows:

- The Office of the Budget
- Project Cycle Division
- Enterprise Monitoring Division
- Debt Management Division
- Bank of Guyana
- Bureau of Statistics
- Inland Revenue Department
- Customs and Excise Department

Using this system, there would be a significant reductions of delays in the provision of summary or detailed information required. Information will be structured and data traffic flows will be clearly defined.

B. Project Cycle Unit, Ministry of Finance

The proposed solution is the design, development and implementation of a Project Cycle Management System. The business functions of this system will be as follows:

- The maintenance of extensive biographic information of all projects currently under execution.
- The identification of new projects and the required supporting information.

- The classification and reporting of projects by donor and government programs (e.g. PSIP).
- The recording of all disbursements per projects.
- The recording of status reports of individual reports on a monthly or quarterly basis.
- The internal system flags to quickly identify problems on specific projects.
- Access by the PEUs so as to facilitate the submission of required information electronically.

Training in advanced computer operations and database management for the project cycle staff will be also be necessary. All data forms must be standardised and structured data input and reporting. There must be general agreement about the nature of the reports and related outputs.

C. The Private Sector Centre

The solutions provided to the centre should be in phases and include the following:

- Computer literacy and office automation training for all administrative staff.
- An inventory of the hardware currently in operation and ascertain their use and effectiveness.
- An analysis of all information databases in existence.
- Improve the availability of electronic information at the centre.
- Advanced training in database management and administration.

D. Other Public Sector Organisations

Because of the general lack of functional capacity within these organisations, It will be necessary to conduct the necessary training to establish an information culture within these organisations. Members must also be provided with an understanding of how information is sourced and applied. Basic computer literacy training is recommended initially. Office automation will be in the second phase followed by extensive training in the internet access. Computer Based Training (CBT) courses for general business practices and operations can also be installed for future use.

SECTION IV

Technical Assistance Needs of Private Section Organizations

I. INTRODUCTION, GENERAL FINDINGS AND SUGGESTIONS

Information and recommendations in this report derive from introductory meetings with leadership, staff, and members of nine PSOs. Contents approximate the scope of work. Findings are demand driven. PSOs have confirmed them as capturing both the sense and details of topics raised in meetings. Detailed summaries are available. Sectoral and geographical PSOs participating in the meetings: Linden Chamber, Tourism and Hotel Association of Guyana, Guyana Manufacturing Association, Forest Products Association, Private Sector Commission, Georgetown Chamber of Commerce, Essequibo Chamber of Commerce, Berbice Chamber, and Upper Corentyne Chamber. Additionally, meetings were held with Yesu Persaud of Demerara Distillers, Winston Kramer of the National Democratic Institute, Seita Mohammed of Omai Gold, Tarcharand Balgobin of GOG's Ministry of Finance, and with Baudoin Duquesne and Donna Harris at the IDB.

PSO discussions support four conclusions about the current status of private-public sector dialogue with respect to GOG adopting market-oriented, competitiveness-building policies.

- Only a couple of PSOs indicate any success whatsoever in advocacy initiatives aimed at GOG. The other seven excoriate GOG's receptivity, responsiveness, and lack of concern for issues PSOs see as slowing development of a truly vibrant, market-driven economy.
- Distrust, in some cases disrespect, characterize PSO descriptions of attempts to engage GOG in advocacy dialogue. PSOs perceive GOG feels similarly toward them and their members. Two-sided counterproductive scorn expressed so readily underscores the depth of private sector and public sector recalcitrance in dealing honestly and openly with each other on issues key to delivering economic well-being to all Guyanese. Meaningful PSO-GOG communications appear to be at a point less than zero.
- Points of access to GOG for PSO advocacy initiatives, even just for dialogue, appear more restrictive than anything this consultant has experienced in two dozen countries in the Caribbean Basin (excluding El Salvador and Nicaragua).
- Scant resources and capacities in multiple areas hamstring PSOs' institutional capacities to engage in sustainable or successful advocacy vis a vis GOG.

Absent an increase in GOG responsiveness to private-sector growth, a process in which responsible advocacy can play a significant role, Guyana's competitive position will not only not advance. It will erode. The result: destructive impact on Guyana's socio-economic environment and factor inputs necessary for any country's competitiveness base.

Options are available that may reverse the near void in productive PSO-GOG dialogue. But they will require: (a) time to bear fruit; (b) discipline to stay the course in the face of sure-to-come setbacks; (c) new levels of innovation, preparation, coordination, strategies, actions; (d) altering rules of PSO-GOG engagement and methods and avenues of communications.

- Confidence-building steps should be included in advocacy initiatives aimed at GOG. For example: meet more frequently, push communications towards less formality, negotiate from

win-win, constantly search for hot points, prepare detailed support of PSO positions that contains compelling substance, include properly structured, eye-opening trips or seminars. (PSO meeting participants acknowledged that research and presentation capabilities, while existing in a couple of PSOs, need enhancement.)

- Develop “issue alliances” among PSOs on common positions.
- Entry points to government decision-makers and non-decision makers should be expanded over time. That will tend to stimulate competition for ideas and information. Meaningful data in more hands will also tend to empower both PSOs and different levels of GOG. (Newsletters, press releases, home-district visits by parliamentarians, visits by external investors or successful businesses can leverage PSO access to GOG.)
- Unrelenting advocacy should underlie most PSO activities. It should link advancing PSO interests to advancing prosperity and competitiveness of Guyana (as a desirable place to live, work, do business, visit), and aim to avoid non-economic implications.
- Strengthening PSOs will strengthen their advocacy impact over time. PSOs assert financially constrained membership hampers advocacy. The implication: strengthening PSO advocacy impact on GOG involves strengthening the commercial position of PSO members through initiatives run through PSOs themselves. (GEO can’t be all things to all interests. TA and training will most help when they can be leveraged and coordinated among PSOs. That will build linkages energizing Guyana’s commercial sector.)
- Advocacy and communications between PSOs and GOG will benefit from restructuring. Responsibility for apparent lack of understanding is two sided. Neither PSOs nor GOG have succeeded in finding hot points that bridge gaps. Nor do PSOs believe GOG views advocacy for what it really is: a wonderful vehicle for contesting ideas that often generates new approaches to issues about creating a more competitive Guyana.

It seems unlikely PSOs will make sustainable gains in advocacy vis a vis GOG without a three-step approach: (1) Defining PSO advocacy objectives; (2) identifying sound strategies and action plans to attain the objectives; (3) simultaneously strengthening PSOs by helping PSOs strengthen their members, which will add needed “mass” to PSOs.

II. PSO STRENGTHS AND WEAKNESSES

Not many PSOs mentioned strengths. Strength was mentioned in connection with three instances of influence on GOG by the Private Sector Commission: (a) Caricom involvement in Guyana, (b) labor costs associated with GEC privatization, and (c) resolution of the recent strike against GOG. The Essequibo Chamber, founded in 1998, counted as a strength its ability to attract so rapidly 55 financial members. But it is the depth of frustration with GOG that jumped Essequibo’s membership.

Georgetown’s Chamber, the oldest in Guyana, established in 1889, has underway two relatively innovative initiatives: a TV program, “Global Perspectives”, and a “Junior-Achievement” type program in 22 schools that now involves about 700 to 800 students. Berbice and Upper Corentyne Chambers seem particularly focused and aggressive.

PSOs did not hesitate to discuss their weaknesses candidly. Members and leaders want to improve. A one-year plan, later in this report, identifies a joint approach to help PSOs reach higher levels of advocacy performance. Here is a litany of PSO weaknesses.

- (1) **Difficulty in reaching sustained unity on industry-wide issues.** Guyana Manufacturing Association and the Tourism and Hotel Association of Guyana underscored this issue. For example, THAG explained it consists of members in the same general industry, but whose needs are often dissimilar: Eco-tourism, small inns, operators of larger facilities, taxi drivers, tour operators, tour guides, restaurateurs. Melding disparate interests into an organization driven to promote common interests, beyond the need for more tourists, is problematic. Exacerbating the association's inability to move forward with internal harmony is the dramatic decrease in arrivals since 1994, from 113,000 to 67,000. With occupancy rates reported as low as 5% for some establishments, the threat to viability of individual enterprises precludes advocacy unity in this PSO. (Both team building and THAG-provided TA would seem in order. The same applies to GMA.)
- (2) **Apparent dearth of advocacy unity among PSOs on common issues.** No efforts at forming issue alliances were reported. The prominence of two PSOs, PSC and Georgetown Chamber, are seen as detrimental to interests of other PSOs. PSC was viewed with suspicion of semi-collusion with GOG to perpetuate a status quo.
- (3) **Lack of resources and technological capability that diminish PSO advocacy impact--** by preventing PSOs from (a) retaining staff or administrative support and improving office management skills of PSOs and their members, (b) providing members with competitiveness information (marketing, external trends, management, price, network contacts, research for members), (c) attracting new members, (d) providing training in services crucial to Guyana's progress (like Georgetown tour guides and tour operators), (e) carrying out routine membership services---communications, press releases, document circulation, consensus building via fax polling, (f) doing community-building outreach beyond memberships which, in turn, prevent opportunity from flowing to certain segments of Guyana's populace, Amer-Indians, for example, (g) diversifying revenue sources, like GMA's dependence on subscription income, (h) developing better information and technology skills, like improving PSO computer literacy and broadening compatibility of systems with PSC members that develop common advocacy positions and alliances, (i) overcoming start-up obstacles of newer organizations. (Linden and Upper Corentyne Chambers)
- (4) **Political factionalism that impairs internal unity and cooperation in PSOs.** Again, take THAG, for example. Some THAG members belong to the government party, some to the PNC. Sharp differences between government and private sector, as well between political parties, sometimes creates frictions that divide THAG members over initiatives meant to aid Guyana's tourist industry. Parties' factions within THAG's membership attach political significance to THAG initiatives designed to be apolitical. So one faction or another may derail a THAG initiative, in effect shooting themselves in the foot by injecting politics into advocacy issues aimed to spur market competitiveness.

- (5) **Lack of success in creating detailed proposals that spur GOG decision-makers to take concrete actions supportive of PSO initiatives.** That has led to PSO failure in pulling from GOG candid dialogue regarding PSO needs.
- (6) **Exodus of brains and skilled craftsmen that has hampered PSOs' rebuilding**, since they began breaking away from GOG control in 1991-1992. (Guyana's poor economic performance won't reverse that. These conditions combine to diminish the PSO community and its commercial members.)
- (7) **Lack of resources by PSC preclude adequately pro-active support of smaller PSOs.** (PSC arose out of drive by Guyana's larger businesses for greater interaction between GOG and the private sector. PSC, with financial support that only Guyana's community of large businesses could provide, has evolved as an umbrella organization of all Guyana PSOs.)
- (8) **Unwieldy membership that hobbles PSO advocacy impact in some cases.** (Guyana Manufacturers Association, for example, is organized around 125 financial members covering seven subsectors: chemicals and pharmaceuticals, minerals, furniture and wood products, construction and engineering, printing and packaging, textile and apparel, agriculture products. GMA has four standing committees: Government and Industry, Investment Promotion, Developmental Finance, Finance and Administration. GMA members employ some 35-40,000. It's possible GMA's membership interests are too dissimilar to permit effective advocacy or strategy development. GMA's membership diversity may be restricting GMA's growth. That weakens GMA advocacy because GOG may see GMA's impact fading among the sectors it purports to represent.
- (9) **Virtually universal admission among PSOs of inability to help members contend with stiff international competition or help them in export activities.**
- (10) **Failure of PSOs and GOG to work together to establish "Guyana as a premium and recognized value-added brand"**, which could serve as a common and strongly binding goal cementing a PSO-GOG partnership---like furniture products of Guyana, Rice of Guyana, Apparel of Guyana, Juices of Guyana, Rum of Guyana, (as in Portuguese ceramics, French and California wines, Romania spring water, Icelandic salmon, Costa Rican Coffee, Panama and Cayman islands financial services, Monaco Casinos, French and Italian Cuisine). A concrete example: Why not a GOG-FPA partnership on strategies and initiatives to establish Guyana dressed timber as the standard for wood flooring and walls.
- (11) **Lack of success in eliciting from PSO members information PSOs see as crucial to promotional and advocacy efforts**, especially such as members' commercial profiles. (Even the Georgetown Chamber, established in 1889 and with a paid full-time staff, experiences difficulty in data gathering from members.)
- (12) **Poor image of chambers among the public.**

III. DEVELOPMENT AND GOG POLICY ISSUES TARGETED FOR ADVOCACY BY PSOs

- Overall lack of responsiveness of GOG, both ministers and parliamentarians, to PSO outreach and initiatives. Ineffective local government.
- Simplified procedures that actually elicit new foreign and domestic investment.
- Infrastructure improvements: Guyana's segment of the road to Brazil; airport, port, harbor modernization; bridge construction.
- Import and consumption taxes; bureaucratic customs operations and high fees.
- Crime and criminal activities and the rising levels of violence.
- Programs, policies and opportunities re-establishing a base labor pool of skilled trades people and reversing Guyana's brain drain.
- Fiscal concessions for foreign investors bestowing advantage over domestic competitors.
- Bilateral Investment Treaty with the U.S.
- Access to financing at competitive rates.
- More accurate and relevant data from GOG (like requirements, benefits, impacts and opportunities from FTAA, WTO, Mercusor, Caricom and a strategy on how GOG and PSOs can partner to advance Guyana's qualification and competitiveness.
- High energy costs: water costs.

A. Issues Pertaining To Specific PSOs

- Progress on privatizing GOG-owned Surapana Poultry Farm, which seems delayed by GOG's conditions. (Linden Chamber prefers privatization proceed so that opportunities emerge for Linden-area poultry producers and for Surapana's present employees.)
- Industrial zone development that builds backward linkages and output quality of Guyana's enterprises. (GMA, Linden-- taking advantage Demerara's deep channels)
- Infrastructure development conducive to attracting jobs-producing commercial activity -- electricity, roads, sewage, Berbice Bridge, deep water port, telephones. (Linden, Berbice, Upper Corentyne Chambers)
- Inequity of tax incentive initiatives for manufacturers' equipment purchases, while ignoring incentives for industries and businesses beyond manufacturing. (Linden)
- Passage of legislation that implements the tourism board. (THAG)

- Assistance in completion of an economic-impact study to convince GOG of the contributions of tourism to growth and competitiveness of all of Guyana.
- Engage GOG as a partner in promoting tourism compatible with Guyana's product. (e.g., GOG define areas most favored for tourism development and formulate with THAG strategies and action plans for boosting tourism investment and tourism traffic.)
- GOG help in export growth of manufactured goods. (Only 40 GMA members export.)
- Ensure continued productivity of Guyana's timberlands and sound overall environmental management of Guyana's natural resources. (Forest Products Association)
- GOG give FPA members responsibility for timber marketing by sharing with FPA, for a trial period, the 2% Forest Products Commission royalty on timber-exports. (FPA needs to quantify additional revenue and jobs produced from FPA-promoted export gains.)
- GOG help in timber industry's losing battle with the "greens'" global network. (FPA contends "greens" are unjustly eroding Guyana's timber/wood competitiveness in export markets and that timber firms are not alone able to contest the greens, even though Guyanese timber firms assert they operate in an environmentally responsible way. Greens' detrimental impact can be seen in New York and New Jersey's ban of greenheart logs from Guyana. That ban is now reportedly spreading to California.)
- GOG and PSO cooperation in initiatives that enhance reception of tourist, business, and other visitors to Guyana. (Private Sector Commission)
- Broaden tax base so GOG can lower heavy taxation of Guyana's top producers.
- GOG curb or tax street vendors, who hurt legitimate businesses with brick and mortar expenses by using freedom from taxation to create price advantage.
- Rice milling side of the rice industry may require some form of regulation. (With rice-growing land virtually fixed, an excess of rice millers is driving price received by the farmer below production costs.)
- Regular visits by parliamentarians to districts they represent.(Essequibo Chamber)
- GOG and Essequibo Chamber partnering to initiate innovative approaches to diversify the Essequibo's economic mix.
- Land policy development, development of industrial site; property rights legislation (Berbice, Upper Corentyne)
- Infant industries assistance: incubator center. (Upper Corentyne)
- Dead (and live) animals in the road. (Upper Corentyne)
- Crop insurance program. (Upper Corentyne)

IV. PRELIMINARY IDENTIFICATION: PSO TRAINING NEEDS TO BOOST ADVOCACY

A. Training Needs Of Multiple PSOs Aimed *Solely* At Enhancing Advocacy

- Development of objectives and plans to enhance each PSO's advocacy impact and help PSOs strengthen and energize their members. (Learn-by-doing initiatives, tailored to each PSO's needs and structure.)
- Institutional strengthening (member services, fund raising, public relations, human resources development, information dissemination, publications assistance, bringing to PSO individuals with expertise specifically relating members' commercial base.
- Arrange seminars and/or exchange visits for Guyana PSOs with non-Guyanese PSOs effective in advocacy initiatives with their respective governments.
- Investment promotion training, practices in targeting joint ventures.
- Maintenance of environmental competitiveness.
- Sophisticated techniques of negotiation.
- Technology and Internet training zeroing in on specific needs of PSOs and their members. (Competitive office management, finding and massaging industry data, examining competitors, searching for opportunities, networking among PSOs, website creation and maintenance.)
- Assistance in determining, finding, preparing, and presenting advocacy data.
- Team building.
- TA (via exchange visits or seminars) on how certain chambers have become successful promoters of economic development.
- Strategies and techniques of working the press.
- PSO-sponsored discussions covering subjects like: comparison of characteristics and results of some smaller, resource-based economies that have both succeeded and failed at growing their economies; regional economies most successful at growing value-added exports and attracting tourism and business investment.

B. Training Needs Multiple PSOs Believe Will Boost Their Advocacy Impact *Through PSO Provision Of Training and TA That Strengthens PSO Members And Their Allegiance*

- General training on: (a) international standards and certification (ISO 9000); (b) competitive product design tailored to specific industries-- like furniture manufacturing; (c) principles of

product packaging; (d) general and specific marketing techniques (what marketing is, how it's done, market linkages and networks).

- TA for bigger PSOs, like FPA, Rice Millers, and Rice Producers (whose products are already internationally competitive) to enhance competitiveness through focus on practices that lower unit costs.
- Helping PSO members acquire a better understanding of import regulations of countries/markets they want to enter, tailored to specific products.

C. Training Needs *Individual PSOs* believe Will Strengthen Advocacy By Strengthening Members And Their Allegiance To PSOs

- **Linden Chamber:** Processes of overcoming an area's single-industry dependence. (Bauxite job loss, when AlCan pulled out of Linden, destroyed Linden's job base. Chamber officials believe significant benefit would accrue to Linden's advocacy impact through training or TA that exposed chamber officials to chamber, business, and government in areas that suffered and recovered from similar situation.)
- **Linden Chamber:** Small plot commercial farming of cash crops; manufacturing pre-fab housing; ice cream production; poultry production; industrial park development; tourism and other business investment attraction.
- **Private Sector Commission:** Help PSC position itself better as the "point PSO" for private sector advocacy by developing through it needs-based, trade-training capabilities in areas like plumbing, electrical contracting, carpentering, and other skill trades. (PSC has been working with the EU in these areas.)
- **THAG:** (a) Sponsor for officers and members attendance at tourism trade shows other than those THAG already attends; (b) basic operational TA for tourist-facility owners-operators (services menu, financial management, maintenance, pricing, food and beverage, overall small business management; (c) practices for tour guides, customs officers, baggage handlers, taxi drivers, restaurant workers in services relating to handling arrivals, passengers, and diners; (d) product positioning, new-product identification, micro-finance assistance for craft associations; (e) TA on marketing and promotion in foreign markets; (f) on-premise, in-Guyana, and external training exchanges; (g) an investment-attraction *work-by-doing* initiative; (h) work-by-doing campaign of fam visits.
- **FPA:** TA (a) that differentiates wood and timber characteristics and helps timber and wood products firms determine best opportunities for Guyana wood varieties whose optimal uses are not yet known; (b) on kiln drying processes that include assistance in acquiring kilns to meet capacity outputs and processes of treating kiln-dried wood to keep moisture out. (c) on options for acquiring more value-adding capability.

V. PLAN (YEAR 1): INITIATIVES, TRAINING AND TECHNICAL ASSISTANCE TO STRENGTHEN PSO'S ADVOCACY ABILITY

DELIVERABLE	INTERMEDIATE RESULT	YEAR ONE KEY ACTIVITIES
Results Package 3: Strengthened capacity of the private sector to influence policy	IR 3.1 Private/public partnership created	<p>3.1.1 Assist 4 PSOs in preparing for advocacy-institutional strengthening workshops, the output of which will be development-prioritization of advocacy objectives, training needs, strategies to achieve the objectives, and supporting action plans with assigned responsibilities and time frames. (12/15/99)</p> <p>3.1.2 Conduct 4 objectives-strategies-action plans workshop. (1/30/99)</p> <p>3.1.3 Assist the 4 PSOs in disseminating workshops' final products among themselves and to other PSOs as start to PSO-issue linkage process (2/15/00)</p> <p>3.1.4 Assist other PSOs to prepare for strategy workshops (3/1/00).</p> <p>3.1.5 Develop schedule for three training sessions-educational trips meeting the needs identified in 1st set of strategic workshops with 4 PSOs and target PSO-GOG participants (3/20/00)</p> <p>3.1.6 Organize/arrange/coordinate/complete three training sessions (9/15/00)</p> <p>3.1.7 Conclude strategic workshops/plans for other 5 PSOs. Ongoing help to implement plans. (9/15/00)</p>

VI. PSOs ACTIVE IN ADVOCACY

Even with umbrella support of the Private Sector Commission, through which it seems most PSOs now conduct primary advocacy, it is likely Guyana's geographical and sectoral PSOs in their present state will have only marginal advocacy impact on GOG taxation, development, investment-attraction, trade, export-promotion or other market-oriented policies. Unless these smaller PSOs grow independent capacity to impact GOG policies, it is just as likely GOG will continue to stonewall initiatives and contend that PSO advocacy, as channeled through the PSC, represents the greed of a few big guys.

All nine of the PSO involved in needs-assessment meetings to prepare this report have undertaken advocacy initiatives with GOG. As noted in the introduction, only two of the nine felt they accomplished anything.

VII. LONG-TERM TECHNICAL ASSISTANCE

It's premature to create long-term work plans. We need about four months to initiate a process of working with PSOs to prepare initial objectives, strategies, and actions plans, and identify training needs with respect to advocacy and institutional-strengthening. Then concrete and practical approaches to long-term, sustainable TA can be determined.

VIII. AREAS OF POSSIBLE COLLABORATION WITH OTHER GEO COMPONENTS

Certainly GEO's trade, investment, and technology components can play a vital part in contributing to PSO advocacy impact and institutional strengthening.

IX. SYNERGIES BETWEEN GEO AND OTHER DONORS

After completing goal-setting advocacy and institutional strengthening workshops with PSOs, it would seem practical to share, and coordinate, at least the training-needs portion of workshop output with CIDA, IDB, and EU, each of which is reportedly involved in some aspects of training in Guyana's enterprise sector.

X. POSSIBLE CONSTRAINTS LESSENING GEO'S IMPACT

GOG's prolonged recalcitrance to private-sector advocacy initiatives would be a major constraint for GEO. Advocacy is not science. It should be assumed that breaking long-standing GOG barriers will take some time. Small steps and some sure-to-come set backs are part of any advocacy process. But progress should be evident within 24 months.

SECTION V

Investment and Export Promotion: Proposals to Improve
Performance

I. HOW TO PROCEED WITH INVESTMENT AND EXPORT PROMOTION

A. An Investment Strategy and Investment Code

In September 1997, a comprehensive blueprint for an investment strategy and investment code was prepared by consultants of the BEEP project. They presented recommendations for reforming the agencies and operation of investment and export promotion. Proposals for a fiscal incentive regime focused on stimulating new investments that develop export earnings and the infrastructure sectors. A subsequent study offered an incomplete analysis of presumed government revenue losses if these recommendations for fiscal incentives were to be implemented. After some delay, the government decided in favor of fiscal incentives to stimulate investments. Implementation awaits the drafting of a fiscal incentive law. Private sector representatives impatiently await the implementation of such a law.

The Government is now soliciting comments to the BEEP Investment Strategy Study from the private sector in order to finalize its investment strategy.

Recommendation: The process of finalizing an investment strategy can be concluded speedily by forming a public sector/private sector task force who would categorize into four groupings all of the specific recommendations for an investment strategy made in the BEEP Report:

- Those that should be ignored;
- Those that can be implemented quickly without difficulty or with minimum modifications;
- Those that can be implemented after some further consultations, research, and changes "in-house" by the government (with or without participation by the private sector); and
- Those that would require additional consultation work, including more detailed recommendations before they can be accepted.

This categorization should take into account the comments to the BEEP Report received from the private sector organizations and entities in the government. This process should be concluded by the end of September. This process would avoid further lengthy delays in completing an investment strategy. Instead, it would enable an early start of a continuing evolution of investment strategies as various recommendations begin to be implemented. For Guyana, time lost in attracting investments that would stimulate exports, jobs, incomes, and government revenue growth is distressingly costly.

Recommendation: To advance toward implementing fiscal incentives, two consultants should spend about six weeks, starting not later than October 1, to develop all elements for a fiscal incentive regime deemed necessary by the government. Immediately upon acceptance by the government, the consultants should work with an experienced lawyer to draft an investment code which would include a fiscal incentive regime for enactment early January 2000.

This fiscal incentive law could thus be broadened into an investment code that spells out government commitments to a market-driven open economy and specific guarantees to the local and foreign private sector designed to build confidence. There should be flexibility in the law to permit amendments as more controversial impediments to private investment are removed at later dates, such as restrictions on land ownership or discriminatory taxation.

Recommendation: Provided the necessary financing is secured to start construction of a hard surface highway across Guyana from the Brazilian border to the coast, a plan could then be developed and implemented for a free trade zone at Linden to alleviate high and rising unemployment there. A free trade zone could be patterned after successful examples in other countries. A free trade zone law should be enacted, that would provide incentives to attract a private developer to construct the necessary infrastructure and operate the free trade zone under a long term concession contract. The law should also provide incentives for attracting local and foreign companies to engage in assembly operations for export or re-export. An economically depressed area could be rescued from further deterioration.

Recommendation: There is a host of regulatory, infrastructure, and other impediments to investment and export growth, such as bureaucratic delays at customs, costly and inadequate transportation, very high consumer tax rates on major inputs for some exports, and burdensome indebtedness of many local companies. If solutions are not found for these impediments, they will jeopardize the future success of investment and export promotion. This area is large and complex and controversial. There are often several options for solving a given problem.

A workable approach would be to organize periodically a public/private sector workshop or temporary task force on a single issue and work until a consensus is reached on how to remove the impediment. The experience in other countries in solving similar impediments should be analyzed with the objective of whether such corrective steps can also be taken by Guyana. Consultants and officials from other countries could be invited to provide testimony, recommendations, and information on experiences and results elsewhere.

B. Willingness to Proceed with Investment and Export Promotion

Some government representatives have expressed a willingness to move forward with reforms that would make investment and export promotion more effective. Others would delay this process by first awaiting external funding to bail out overextended family-owned local firms. They fear that local firms are not well positioned at this time to take advantage of export promotion and not well structured for joint ventures with foreign partners. Nonetheless, a beginning should be made as soon as possible to organize the promotional function that would be able to seek out foreign companies with capital, technology and access to foreign markets and point out to them specific investment opportunities in Guyana. Only to mention one example, there is an urgent need for an

experienced firm to bring to Guyana refrigerated transport and storage capacity for perishable products destined for local and foreign markets.

Recommendation: Credibility will be enhanced in the short run by an investment code that contains the implementation of fiscal incentives and a comprehensive set of specific government guarantees for the private sector, such as those spelled out in the BEEP study. Greater freedom to do business in Guyana and an improved investment and export promotion will further build confidence among the local and foreign private sector. Agreement on and implementation of an effective investment and export promotion organization, as outlined below, should be advanced.

C. Private Sector - Public Sector Partnership Initiatives

The private sector welcomes and participates in commissions and task forces with government agencies on issues that affect the private sector. Complaints are expressed frequently, however, that recommendations or solutions advanced by private sector representatives are not adequately discussed, not voted on, or not implemented. Public sector representatives complain that the private sector often fails to make realistic, workable proposals that take into account the government's limited resources or the private sector has no unified position or it fails to fulfill its promises.

Recommendation: Complaints about the working of joint working groups should not deter from the overriding benefits to seek such forms of private sector input into the decision-making process particularly in areas related to stimulating private investment and export development. The recommendations on private/public sector partnership initiatives in the BEEP Report should be taken as a starting point for further strengthening this form of collaboration. It would bring about a fundamental shift away from mutual mistrust and confrontation toward confidence building and cooperation in setting goals and pursuing strategies that benefit both the public sector and the private sector. Early efforts should focus on reducing burdensome regulations that impede investment and export development.

II. INSTITUTIONAL STRENGTHENING

A. Mandates and Responsibilities

Policy decisions relating to investment and export promotion are made mostly by the Minister of Finance. Operational responsibility for investment promotion rests with the Guyana Office for Investment (GO-INVEST) and for export promotion with the Guyana Export Promotion Council (GEPC), both reporting nominally to the Minister of Trade, Tourism and Industry. The Chairman of GO-INVEST is also acting Political Advisor to the President and a member on the Ministerial Committee on Investment. He participates in cabinet meetings. The private sector Chairman of GEPC is a board member of GO-INVEST.

Foreign investment projects and the granting of investment incentives are reviewed and approved by the Minister of Finance, the Chairman and CEO of GO-INVEST. A previously empowered Ministerial Committee on Investment apparently took too long to process investment approvals. A Private Sector Center, funded by the European Union, was recently created within the Private Sector Commission to supply market information and to undertake research on demand for non-traditional, non-agricultural exporters. The New Guyana Marketing Corporation (NGMC), reporting to the Minister of Agriculture, promotes non-traditional agricultural and agro-industry domestic marketing and exporting.

There is some overlap of responsibilities and considerable non-performance of major aspects of assigned mandates. Neither the public sector nor the private sector is satisfied with the promotional performance of these agencies. The perceived weakness of GO-INVEST and GEPC is due to various factors. Both lack sufficient authority, funding, equipment, trained staff, and strategies to be effective.

Centralized decision making at top levels of government has negatively affected investment and export promotion. The private sector points to a lack of commitment and vision on the part of the government and failure to understand and support the requirements of the private sector. There is continuing suspicion that some members of government have not yet fully shed previous socialist ideology fundamentally hostile to a market-driven private enterprise economy. The private sector questions the government's willingness or ability to:

- Organize public agencies to respond effectively to private sector concerns and needs;
- Act on feedback from the private sector to remove excessive red tape and other constraints on investment and exports; and
- Shift from an emphasis on controls and restrictions to encouragement and facilitation of private investment and exports.

The effectiveness of investment and export promotion will depend decisively on decisions relating to:

- The control over the promotional activities;
- The organization and focus of investment and export promotion; and
- The training of the staff to perform the required tasks effectively.

Some in the private sector argue that government is not capable to provide effective export promotion. Others emphasize that export and investment promotion should be kept separate due to different requirements of information, facilitation, and promotion. Some public sector representatives, on the other hand, want to merge the agencies responsible for investment and export promotion.

Countries have had positive and negative experiences with various forms of investment and export promotion. The following options are available:

- Keeping the existing promotion agencies unchanged, without merger, and focusing on making them more effective through training and technical assistance;
- Keeping investment promotion separate, merging all export promotion agencies;
- Merging investment promotion and export promotion, except for the New Guyana Marketing Corporation; and
- Merging all promotion activities under one roof into a single Investment and Export Promotion Center.

Under any of these options, the promotion activities for the tourism sector or traditional agriculture or any other sector could be merged into or kept separate from the institutional organization proposed for the remainder of investment and export promotion.

Recommendation: Prior to making a final decision about the organization of investment and export promotion, it would be worthwhile to take two initiatives:

- A visit by high level representatives from government and the private sector to countries where investment and export promotion has been most successful: Costa Rica, El Salvador, Guatemala, Dominican Republic, and possibly Jamaica.
- Subsequently, a workshop to analyze the results of the visit, to discuss how to adapt in Guyana the successful set-up of other countries, and to agree on an organizational structure for investment and export promotion.

Below is an outline of one approach that can be considered:

The confidence to invest in Guyana by foreign and domestic private enterprises will be enhanced if the discretionary and often arbitrary power to approve investments and incentives is replaced by a transparent, automatic eligibility process clearly defined by legislation and administered by an assigned agency.

Investment and export promotion can be carried out effectively by merging all promotional agencies and functions into one organization housed under one roof. Such an organization should be headed by a chairman with cabinet rank reporting directly to the President or Prime Minister of the country, as it apparently is being done currently. This chairman should preside over a Board of Directors, composed roughly equally by representatives from the public sector and by the most prominent leaders in the private sector, including one from the foreign business community.

A CEO, responsible to the Board of Directors, should be in charge of the operations of the entire Investment and Export Promotion Center. He should preferably have private sector experience, such as the current one. Eventually, the CEO should not be appointed, but promoted from within the staff of the Center.

The position of a Policy Advisor to the Chairman could be created. His/her task would be to develop proposals for specific reforms designed to improve the climate for private investment and exports. He/she will seek feedback on impediments to investment and

exports from various sources, including in-house from the staff in the Center. His proposals would enable the Chairman to initiate considerations by the Cabinet how to remove specific impediments for investments and exports. This Policy Advisor should have private sector experience and report to the operations CEO of the Center.

The Center should be composed of four functionally divided operating divisions or departments:

- Incentives Administration;
- Promotion;
- One-Stop-Shop or Facilitation;
- Information.

The staff of each division could be divided between those that work on investments and those that deal with exports. Alternatively, the Center can be divided into two departments: Investment Promotion and Export Promotion, with each department subdivided into a promotion, facilitation, and information section, while the undivided incentive administration is housed in the Investment Promotion Department.

All promotion activities combined into one Center provide maximum visibility and authority. All foreign and domestic investors and exporters will have their requirements met in one place.

After an investment code clearly establishes eligibility for fiscal incentives, the incentives approval process can be delegated to an Incentive Administration division in the Center, because the approval eligibility process will then be automatic and transparent. The Incentives Administration should be empowered to monitor compliance with the terms and conditions that formed the basis of eligibility, such as deciding on and applying a verifiable criterion for dividing a company's profits that are tax exempt from those that are not.

The staff in the Promotion Division must be highly pro-active and focused on how to target and bring investors to Guyana and how to promote abroad Guyanese products. Training and budgeting must be oriented to meet these requirements.

A One-Stop-Shop should enable investors to fill out all required documents for establishing their business, factory, farm, or shop in one place -- the Investment and Export Promotion Center. A similar facilitation window should be available for exporters.

The Information division should be equipped to provide investors with accurate, up-to-date information on any aspect of the domestic economy or other information when the investors express interest in pursuing an opportunity in Guyana. The Information division should provide exporters with trade leads, foreign market information, import and health regulations, foreign importer credit checks, and directories of potential foreign importers and marketing companies.

An organizational structure should be established for the Investment and Export Promotion Center that would replace staffing from outside the Center by merit promotions within the Center. This would encourage the best performing personnel to remain employed at the Center. It would build up a group of experienced personnel able to serve the private sector needs effectively. Eventually, employees from the Center could be promoted to Commercial Officer at Guyanese embassies abroad who would be in the best location for assisting investment and export promotion efforts. Most employees of the Center should have prior private sector experience.

III. TECHNICAL ASSISTANCE

Considerable technical assistance will be required to set up the four operating divisions and to make the operation efficient and effective at the service of the private sector.

Recommendations: For the Investment Incentives Division, a computerized tracking system will need to be set up that will permit monitoring compliance with the terms of each company's eligibility for incentives and the periods when these incentives expire. A procedure will have to be implemented that will prevent companies from circumventing incentives regulations by, for example, closing existing plants and re-opening new ones or changing the corporate name in order to qualify for a second tax holiday when only new investments or expansions are eligible for incentives.

The Investment Promotion function will require a computerized data collection process of foreign companies with product lines and markets that would make them potentially interested to invest in Guyana or to negotiate some form of alliance with an appropriate local company. Technical assistance will be required how to find and select such foreign companies and how to develop a customized, effective approach to generate their interest. This will require an understanding in the Promotion Division of how foreign companies in different sectors assess potential investment opportunities and how to package and present relevant information to arouse their interest.

Assistance will be required to set up and start the operation of a One Stop Shop for Investors. An effective approach would be to follow the example operating in Tunisia. One representative from every ministry and government agency that requires forms and application to be filled out for starting a business are assembled under one roof for the convenience of the investor. He moves from one desk to the next, being assisted by each representative in filling out the required forms with attached documentation. Each representative takes the filled-out forms to his department. He assumes responsibility for obtaining speedily the required licenses, permits, or incentives for the investor. Technical assistance will be required to organize and set up the One Stop Shop and to ensure that all paperwork for setting up a business can be done at one location.

The Information division will require assistance in setting up the process for collecting, updating, and retrieving relevant cost and other financial data for investors interested in starting a business in Guyana. Assistance will also be required to organize the flow of

relevant trade information for exporters via computer to the division and from there to exporters in Guyana. In this case, it may prove more effective to subscribe to an existing trade data center, such as the World Trade Center Miami. To minimize subscription costs, market information sharing about Guyana could be offered in exchange for access to trade data.

IV. TRAINING

A. Computer and Internet Access

Private sector associations, such as the Private Sector Commission, strongly support efforts that would improve the capability of member companies to have better access to trade information. The associations consider most urgent the need to expand "computer literacy." One or more computer training specialists should be made available to start an on-going computer training program to be offered:

- Through the private sector associations to their member firms.
- To the professional staff of the investment and export promotion agencies.
- To selected officials in the ministries involved with investment or export promotion policies or regulations.

Training to access the internet should be geared to the informational needs of companies in order to teach how a business can benefit from access to the internet. All training sessions should be held at one location with an adequate number of computers and hook ups to accommodate small groups.

Facility in using computers and accessing information on the internet will result in:

- More efficient and more effective operation of all divisions in an Investment and Export Promotion Center.
- Improved access and communication between the Center and private sector associations and companies.
- Greatly expanded information and other services offered to investors and exporters.
- Capability of local companies to follow up on trade leads abroad and to expedite communication with potential customers and suppliers.
- More rapid and efficient dissemination of information by private sector associations to its member companies.

B. Training the Staff of the Promotion Divisions

Policy Advisor

Training should be provided to the person appointed to advise the Chairman of the Investment and Export Promotion Center on reforms to make promotion initiatives more effective, to reduce excess red tape affecting investments and exports, and to identify and

propose removal of other impediments to investment and export growth. He should be trained to be pro-active in:

- Seeking feedback from within the Center, from private sector firms and associations, potential foreign investors, and other sources about impediments for doing business in or from Guyana.
- Getting informed about reforms that facilitate investments and exports in other countries.
- Developing compelling, workable proposals for removing specific constraints on the private sector in Guyana.
- Assisting the Chairman to propose and defend these reform initiative to the cabinet.

Information Center Staff

Training should be provided to the person collecting and providing information to assist exporters. If the Center subscribes to foreign data banks, training should be provided how to access effectively such data banks and how to retrieve rapidly information relevant to or requested by individual Guyanese exporters. The trade information specialist at the Center should be trained to be pro-active in taking the initiative, preferably on a daily basis, in scanning available lists of trade leads. He/she should be able to pinpoint purchase requests of products some Guyanese producers would be in position to supply and then rapidly passing on the particular trade lead to him for possible follow-up.

The World Trade Center Miami located in Miami has developed a highly effective and comprehensive trade data bank about all the markets of the world. The Center makes available to members more than 100 daily trade leads worldwide, current market information for individual products, networking, and a host of other services useful for exporters. The products that exporters have to sell can also be listed in a global sellers trade lead program by the Center. It would be worthwhile to send the person from Information Center in Guyana to the Miami Center on a two or three week training visit. He/she would learn how to set up an effective information center, link up with foreign data centers, and retrieve and distribute information useful for Guyanese exporters.

Training should be provided to the person collecting and providing information requested by potential investors. This would consist of information relating to the costs of setting up and operating a business in Guyana, such as utility costs, rental rates, transportation costs, labor costs for various skills, construction costs, duties and various tax rates, etc. That person should be trained how to collect this information efficiently, how to ensure accuracy, and how to keep it up-to-date. Comparisons could be undertaken of these costs with those in neighboring countries that compete for investments and such cost comparisons made available to the Advisor to the Chairman for the formulation of proposals how to improve the competitiveness of Guyana.

One-Stop-Shop Facilitation

Training should be provided to the person assisting exporters how to expedite filling out and passing on paperwork and documentation required by customs and for cargo to pass through the port or airport and loaded on a vessel or aircraft. The person should be trained how to take the initiative in seeking feedback from exporters for analyzing required forms and documentation as to redundancy or irrelevancy. He/she should be able to offer the Advisor to the Chairman of the Center proposals for reducing red tape and streamlining the process at Customs and in the port.

Guatemala maintains a one-stop-shop facility (Ventanilla Unica Para Las Exportaciones) within the Central Bank. This one-stop-shop has succeeded in greatly reducing red tape for exporters and streamlining and speeding up this process by researching the paperwork and process required by Customs and elsewhere for exporting. Redundancy was eliminated and all paperwork centralized in one agency. It would be worthwhile to send a person on a training visit of one to two weeks to learn how to set up an effective one-stop-shop for exporters.

Training should be provided to delegated representatives from different ministries and agencies assigned to assist investors who want to set up a new business how to fill out and pass on forms and applications with the necessary documentation. These representatives should be trained to be efficient and accurate in assisting investors and effective in expediting the processing of forms and applications in their respective ministries and agencies for speedy approval of licenses, permits, incentives, and other bureaucratic requirements. These representatives should be trained to be pro-active in both assisting investors and in identifying redundant or irrelevant forms or delays in processing. They should be trained how to develop initiatives for conceiving and proposing improvements that would facilitate setting up new businesses.

Tunisia has developed an effectively functioning One-Stop-Shop along the lines described above. All forms required for setting up a new investment are filled out on one floor of a building with the assistance of representatives from the ministries and agencies approving licenses, permits, and incentives. It would be worthwhile to send a person on a one-week training visit to Tunisia's One-Stop-Shop to learn how this function operates in practice.

Promotion

Training the staff in charge of investment promotion should emphasize a pro-active role for this function. The focus should be on how to identify foreign companies that could be persuaded to develop a potential interest in investing in Guyana. Information should be assembled and used in carefully developing an approach to such individual companies in order to generate an interest in Guyana. Feedback should be solicited from potential investors about their concerns about investing in Guyana and passed on to the Advisor to the Chairman for speedy consideration to remove specific impediments to investment. The promotion function should be trained to:

- Develop an effective web site about investing in Guyana;
- Disseminate brochures about investing in Guyana;
- Promote positive articles about the investment climate in Guyana in foreign business publications;
- Organize recurring visits abroad and effective speeches about business opportunities and the business climate in Guyana by high level government officials, bankers, and business leaders;
- Canvass and adopt promotion efforts that proved successful in other countries; and
- Contact, visit, and offer product specific presentations to foreign investors and connect them with local firms and assist with acquisitions or formation of joint ventures, marketing alliances, financing and other forms of partnerships.

CINDE in Costa Rica and FUSADES in El Salvador have been among the most successful investment promotion agencies in developing countries in attracting a large number of smaller foreign companies to invest in their countries. Many formed joint ventures and other forms of alliances with existing local firms. It would be worthwhile to send one or more staff members in charge of investment promotion on a training visit of two or three weeks to one of these promotion agencies.

Training of the person in charge of export promotion should also emphasize a pro-active role. The focus should be on helping companies in Guyana to develop or expand markets abroad for their products. Training should focus on how to search for trade leads and other potential market opportunities; how to access to foreign trade data banks; how to organize to meet market requirements; how to improve competitiveness; how to lobby for reforms that would lower the cost of exporting; and other steps for promoting exports.

FUSADES in El Salvador and GEXPRONT in Guatemala have been very successful in promoting the growth of non-traditional exports -- FUSADES more in agriculture and agro-industry and GEXPRONT more in textiles and light manufacturing. A training visit of two to three weeks would be most useful to learn how to organize and maintain successfully the non-traditional export promotion function.

Incentive Administration

Training should be provided to the staff administering fiscal incentives with a focus on strictly applying the terms of the incentive law in determining the eligibility of investments for incentives. The staff should be trained to monitor compliance with the contract terms granting incentives for individual investments. The staff should be able to detect and prevent abuses by investors who attempt to prolong the benefits of fiscal incentives in violation of the law and the terms of their contract.

C. Short-term Workshops

Short term workshops on specific topics should be set up from time to time as the need arises to confront a specific impediment to investment or to exporting. Consultants and managers of promotion centers from other countries could be invited to help address the issues on the agenda and to offer options for removing a specific impediment. Work shops should aim to end with agreement on a solution.

SECTION VI

Support Services for Small and Micro Enterprises

I. IPED EXPANDS ITS MICROLENDING OPERATIONS

Before discussing the specific issues and recommendations involved in assisting IPED to expand its micro-lending operations, it is first necessary to discuss IPED's current plans to expand its service delivery in the non-financial sector -- in this case, into the area of micro-enterprise training. IPED has already built a micro-enterprise training facility, and has plans to hire full-time training staff to offer a variety of micro-enterprise related training.

There is no question that such training for micro-enterprises is needed, nor that the creation of such a micro-enterprise training center is an excellent idea. However, while there are many examples of NGOs that successfully offer both financial and non-financial services, doing so is accompanied with numerous inherent risks.

In brief, this is because providing financial and non-financial services are two very distinct activities, which may at times lead an institution to pursue conflicting objectives. This kind of broad service menu can stretch internal resources very thin, negatively affecting both financial and non-financial service delivery. Additionally, it can be very difficult for clients to differentiate between "training" services which are usually subsidized in some way, and "financial" services, which must be paid for at market rates, when they are receiving both from one institution. Finally, institutions which offer a wide range of services sometimes have difficulties identifying and controlling the costs per service, especially since non-financial services (training) are rarely financially sustainable.

Therefore, when a microfinance NGO such as IPED wants to offer non-financial services, it is best to keep the financial and non-financial service divisions completely separate (even operating under different institutional names). Additionally, as outlined in the USAID-funded GEMINI studies in the late 1980s, it is best to divide the non-financial services into two components:

- *Enterprise formation* programs, offering training in sector-specific skills such as poultry farming as well as training for persons who might start up such businesses;
- *Enterprise transformation* programs, providing technical assistance, training, and technology to help existing micro-enterprises make a quantitative and qualitative leap in terms of scale of production and marketing.

Our approach to assisting IPED to expand its micro-lending capacity is predicated on the concerns outlined above, in part because GEO assistance to IPED to expand its micro-lending portfolio will occur simultaneous to IPED's non-financial service delivery expansion. As such, GEO activities with IPED will need to be closely coordinated with these other initiatives, including coordination with any other donors, namely the UNDP, which may be funding them.

A. Activity 1.1: Strategic and business planning assistance to IPED

GEO will provide an international organizational development specialist to assist IPED to establish a new framework for the expanding organization. While a brief business plan for IPED was completed in December 1998, the current changes necessitate that a new strategy and plan be developed. This will include a comprehensive integration of:

- (1) *IPED's current financial and non-financial services.* As an organization expands scope, it is important that its current operations are not taken for granted. Care must be taken to ensure that any expansion does not negatively affect existing operations. Additionally, since it can be assumed that current activities are successful, given the organization's intent to expand, it will also make sense to explore ways for IPED to ensure that the financing it does through its main window continues to grow.
- (2) *Plans for expansion of the microfinance portfolio.* IPED has already streamlined its microcredit operations into a stand-alone unit, with its own office. Through a separate USAID grant for micro-loan capital (no operational assistance), and possibly also assisted by additional UNDP operational funding, IPED proposes to open an additional 5 branches reaching 5,000 new borrowers over the next five years. This will require considerable logistical, training, and management effort.
- (3) *Plans for formalizing the establishment of a micro-enterprise training center.* As outlined earlier, it will be critical that IPED carefully structure its financial and non-financial service delivery. At the very least, the training center should be financially separate from the rest of the organization. It should also have its own Board of Directors. Finally, it may make sense to establish the organization with an independent name and identity from the outset, since one of the potential ideas is for this center to "spin off" into its own organization. This would also help clients to more easily differentiate between the services, costs, and requirements of the two arms of IPED.

It is estimated that the strategic and business planning exercise will require 4 weeks of effort, not including review and approval of the new plan by the IPED Board of Directors.

B. Activity 1.2: Microcredit operations assistance to IPED

IPED has made great strides towards operational and financial sustainability in the recent past. GEO will provide an intermittent microcredit operations specialist over the next year to assist IPED to achieve even greater self-sufficiency in its new stand-alone microcredit operation. Through 4-5 six-week assignments, the GEO microcredit specialist will offer general microfinance training to all of IPED's microcredit staff. More importantly, he will provide on-the-job mentoring and training to each of the credit officers, covering the entire loan cycle – outreach, screening, business training, service delivery, repayment management, and monitoring.

At the same time, he will offer additional expertise to IPED in improving other pieces of the microcredit operation. This will include the development of new micro-loan products, improvement and updating of the existing microfinance manual as needed, streamlining loan administration as possible, analysis of the true cost of funds and other expenses, and improvement of loan pricing strategies.

It will be important that the microcredit operations specialist's first 6-week assignment overlap for at least the last two weeks of the strategic planning consultant's assignment. This will ensure that the more technical aspects of microfinance are firmly embedded in IPED's new strategic plan.

Another key task of the microcredit operations specialist's first assignment will be to assist IPED in expanding its microfinance operations via the separate \$350,000 loan capital grant from USAID. This could include training new loan officers, assistance in setting up new branches, and the development of new micro-loan products.

Other potential tasks for the microcredit operations specialist are included below. While in country, he will assist in other efforts beyond the IPED initiative.

II. OTHER MICROFINANCE INSTITUTIONS STRENGTHENED

Currently, there are basically only two microfinance organizations in Guyana – IPED and Scotia Enterprises. While it is difficult to estimate the number of micro-enterprises in country (estimates range from 50,000 on the low end and 175,000 on the high end), there is general agreement that demand for microfinance financial services is high. In 1998, both IPED and Scotia Enterprises had a combined micro-loan portfolio comprised of approximately 3,000 micro-enterprise borrowers. As such, there appears to be room for both expansion of existing microfinance programs in IPED and Scotia Enterprises, as well as support to other budding microfinance operations.

Any efforts with other organizations in the area of microfinance should be approached with extreme caution. While there is a strong possibility that increased competition will benefit the sector and the individual micro-entrepreneur through improved services, lower interest rates, and greater geographical coverage, there are also a number of risks involved. First, most successful microfinance organizations around the world have achieved financial sustainability in large part through economies of scale. ADEMI, in the Dominican Republic, has 1.8 million clients -- over twice the population of Guyana. While there is room for 1 or 2 more microfinance organizations in Guyana, care should be taken not to encourage the mushrooming of many small operations, as it is unlikely that such small operations can achieve self-sustainability. Second, microfinance institutions enjoy many of the same problems as banks, including a generalized perception by clients that if one is unhealthy, all are unhealthy. If one microfinance institution goes under, it can have serious negative effects on the repayment rates and reputation of a healthy competitor. To ensure the viability of the sector as a whole, it will be important to ensure the health of all institutions.

Finally, because the only other microfinance operations in Guyana at this time are either young and highly subsidized (such as the Commonwealth Youth Program's and GlobeTrust's joint microcredit program for youth) or in start-up mode (such as the Beacon Foundation's initiative in Lethem), considerable effort and resources will be required. The best examples of this are IPED and Scotia Enterprises themselves: Scotia Enterprises began in 1993 and still relies on Scotia Bank to maintain financial sustainability, while IPED has been assisted by various donors and benefactors for over 10 years and is just now approaching financial sustainability. The same long-term support and assistance will likely be required in assisting any other new microfinance organization.

Even given these risks, the potential reward – greater depth and breadth of microfinance services in Guyana – appears to justify the effort at this time. As such, it is recommended that GEO assist other microfinance institutions, but limit its support to just two organizations for the time being.

A. Activity 2.1: Technical support to IPED's partnership with the Beacon Foundation

Recently, IPED and the Beacon Foundation formed a strategic partnership in Lethem in the Rupununi region. IPED is giving Beacon a grant to jump start a microfinance initiative, specifically targeted towards Amerindian communities, but open to any viable micro-enterprise. While initially issued under the auspices of the Beacon Foundation, IPED will hire and train the microcredit staff, and set up and manage the loan system. It is anticipated that some form of group lending methodology will be utilized.

With the assistance of the microcredit operations specialist, GEO will assist IPED and the Beacon Foundation wherever possible, offering credit operations expertise and training similar to that listed above in Activity 1.2. Given that most Amerindians have little experience in either business or borrowing, the specialist will also identify methods and other support organizations to provide micro-enterprise training to clients. This assistance is also incorporate in Output 3, below.

B. Activity 2.2: Technical assistance to GlobeTrust and CYP in strengthening and expanding their microfinance program

The GlobeTrust/CYP strategic partnership in microfinance began in 1996 and is still in its pilot phase. Using a Grameen cross-guarantee group lending methodology, the program has offered enterprising Guyanese youth 71 loans. Ten of these are second loans to successful first-time borrowers. Currently, the program is experiencing a number of problems, especially loan repayment (even given their low interest rate of 17 percent). From its outset, the program operated under social development principles. At this time, there is strong recognition within CYP and GlobeTrust that the social development goals must be matched with financial best practices if the program has any hope of self-sustainability.

During his second 6-week assignment, the GEO microcredit operations specialist will begin working with GlobeTrust to incorporate microfinance best practices and financial principles into the microcredit program. He will also work with both agencies to set a basic strategy for the future. This will include addressing the following issues:

- 1.) CYP is funded by the public sector. Around the world, public sector directed credit programs have a high rate of failure. This often has very little to do with the integrity of the public sector agency running the program, but often stems from the perception that government “loans” are in fact simply handouts, or perceived as such. Additionally, it is difficult for public sector officials – essentially servants of the public – to take the hard line when loan repayment problems arise. (For example, for understandable political and reputation reasons, it is often next to impossible for a public agency to take a borrower to court over an unpaid loan.) Since CYP has already formed a partnership with a private financial institution, GlobeTrust, it will make sense to further solidify GlobeTrust’s role as financial manager and lender, with CYP as the social development and training partner.
- 2.) Currently the CYP/GlobeTrust program targets only youth. While there is nothing ostensibly wrong with this from a social perspective, financial microfinance lessons from around the world show that targeted lending programs (focused on one type of client) have an extremely high rate of failure. This occurs for two reasons. First, such programs often place the type of client (female, youth, specific culture) above the viability of the client’s actual activity. Pressure is placed on lending to specific clients rather than to strong entrepreneurs. This can result in the organization quickly meeting its social mandate (providing loans to youth) while destroying its ability to sustain itself (by giving too many unwarranted loans). Second, targeted lending programs by definition have set rigid parameters on their lending program. This supply-driven lending (defining the market instead of responding to it) limits the organization’s ability to expand, diversify, and grow. Through discussions with GlobeTrust and CYP, the GEO microcredit operations specialist should explore the possibilities and interest for GlobeTrust to expand into other market segments, perhaps in conjunction with other partners, while still maintaining its youth credit program with CYP.

III. TECHNICAL ASSISTANCE PROVIDED TO ENTREPRENEURS AND PRODUCER ASSOCIATIONS IN THE PRODUCTION, MARKETING AND EXPORT OF NONTRADITIONAL EXPORTS

The small and micro-enterprise sector has huge potential in Guyana. However, it is hampered by a number of issues. First, Guyana does not have many *large* industries. In countries where there are numerous large corporations, a significant portion of small and micro-enterprises succeed through establishing business linkages with these larger firms. This can include providing raw materials, providing ancillary materials and services (packaging, marketing, advertising, or smaller pieces of a larger product), or “middle man” activities (buying from producers and selling to a large international seller). The lack of large business is a serious impediment to diversifying and expanding Guyana’s

small and micro-enterprise sector. It is likely that the success or failure of GEO's efforts in the areas of trade and investment will have a large impact and multiplier effect on small and micro-enterprise development in country.

Second, production to market linkages in Guyana are extremely weak. As an example, cashew production in the Rupununi region is quite high, but much of the harvest is left to rot. The problem is not production, and neither is it the market – cashews rarely even make it to Georgetown. In fact, international buyers in Canada and the United States have already been identified, but the orders are left unfilled. A similar situation exists with mangoes. Poor infrastructure – road, sea, and air links – coupled with high transport costs and uncertain delivery schedules make it impossible for producers or enterprising middlemen to get the product to market. The lack of processing facilities means that agricultural products must be exported in raw or semi-raw form. This lessens value-added before exporting, and makes transport of often fragile, unprocessed products even more difficult. Unfortunately, it is beyond the scope of GEO to assist in infrastructure development. However, this problem must be explicitly addressed within GEO's strategy in assisting enterprise development.

Thirdly, as outlined in a recent IDB survey of enterprises in Guyana, the current small and micro-enterprise sector suffers from two main constraints. The first, access to finance, is well-known and is being addressed in part by GEO in Output 1 and 2 above. The second, *too much competition*, needs equal attention. Currently, small and micro-enterprises are tending to enter into very similar businesses – petty trading, poultry, and the like. Given Guyana's relatively small domestic population and related demand for certain products and services, the sector has become saturated with certain types of enterprises. An obvious alternative is developing export enterprises, as well as identifying un-served niches in the domestic market. Both are possible, but both also involve supporting either start-up or new market entry activities. Such activities are expensive and risky, and will require a significant amount of support, perseverance, and resources.

Given the state of the micro-enterprise sector in Guyana, it is recommended that GEO activities focus on stimulating new initiatives, linkages, and enterprises.

A. Activity 3.1: Technical assistance provided to develop specific enterprise export sectors and related associations

Most donors and stakeholders agree that four sectors hold the most potential for development of small and micro-enterprise. These are handicrafts, furniture and wood products, agricultural and agro-processed products, and tourism. Since tourism does not technically fall into the "export" category emphasized by GEO, our approach is to focus on the other three.

Three short-term enterprise development consultants, with specialties in handicrafts, furniture and wood, and agriculture and ag-processing, respectively, will be fielded for 4-6 weeks each. They will conduct an assessment of the current state of enterprise

development in each sector, identifying specific products, markets, and linkages with the greatest potential. Once identified, they will provide training to the relevant producer associations and their members, assist in creating the market linkages needed, provide direct training to the enterprises themselves in improving product quality and new product development, and assist key enterprises in improving their business. This will include assistance in product branding, development of appropriate marketing materials, accessing needed inputs and materials, etc. They will also provide direct assistance to the relevant sector associations, assisting them to better serve their members' informational, technical, and training needs. It is anticipated that the key sector associations will be:

- *Handicraft Industry Development Association (HIDA)*. HIDA has about 80 groups of 20 women each as members.
- *Guyana Agro-Processing Association (GAPA)*. GAPA is currently exploring a possible joint venture with China in the area of creating "activated carbon," made from charcoal from coconut husks.
- *Roraima Furniture Manufacturers Association (RFMA)*. RFMA works with furniture and wood product producers.

It should be noted that all three associations are currently receiving some assistance from the Guyana Volunteer Consultancy (GVC) and from CESO, a Canadian professional volunteer organization. For example, three CESO volunteers are scheduled to arrive soon to assist RFMA. When the GEO sectoral consultants arrive, they liaise closely with GVC and CESO to ensure that efforts are not duplicated. However, it is anticipated that these Canadian volunteers will be assisting in creating market linkages to Canada. While the GEO consultants will likely be involved in similar market linkage activities, they will focus on creating them with the United States and the Caribbean.

B. Activity 3.2: Establishment of a small and micro-enterprise support fund

Many business opportunities come available suddenly and unexpectedly. GEO should create a technical assistance and training fund for small and micro-enterprise which allows the program to take advantage of such targets of opportunity. It is recommended that a small working committee be formed to direct this fund. The members can identify opportunities and present them to the group, and select which efforts to support. Funds should be used only for technical assistance and training, not commodities. Efforts should be closely linked with the GVC, which could provide local volunteer consultants (while the fund pays their per diem, lodging, and travel); the NGO Forum, which can tap into its NGO network to identify specific opportunities; and IICA, which has an extensive network throughout Guyana in the area of agricultural production and processing. The fund could support anything from sending an international coffee expert to assist an Amerindian group producing coffee for the domestic market to a small furniture exporter targeting the Caribbean hotel industry and needing to access higher quality inputs to a jewelry maker needing assistance to identify export markets.

At this time, it is recommended that the following persons and agencies be a part of this group:

- Tom Whitney, GEO Director
- Daniel Wallace, USAID
- Leslie Chin, GVC
- Cromwell Crawford or Jerry LaGra, IICA
- David Yhann, NGO Forum
- Clairmont Lye, Rupununi regional representative

Other regional representatives can be identified over time. Additionally, funds permitting, it is recommended that GEO hire a full time local Small and Micro-enterprise Support Fund Administrator. He or she can organize meetings, develop some marketing materials to promote the fund, respond to inquiries from interested enterprises, and pre-screen any applications for assistance prior to presentation to the working committee. The amount of this fund should be set by GEO and USAID, based on funds available.

C. Activity 3.3: Capacity Development Assistance to Micro-enterprise NGOs

There are a number of NGOs in Guyana which target micro-enterprise development. As possible, the sector specialists working under Activity 3.1 above should provide technical expertise to relevant NGOs with activities in the targeted sectors.

Additionally, GEO will work with the NGO Forum to identify 5-7 key local NGOs or associations. A short-term NGO/association capacity development specialist will be fielded to assist these NGOs to develop a strategic and business plan, improve existing activities and operations, develop strategies to address internal human resource and financial constraints, create appropriate linkages to other associations and NGOs, and identify new activities. The consultant will work closely with the NGO Forum, positioning them to support the NGOs after the consultant leaves. Note that the assistance here may be more operational (business planning, accounting, human resources, planning) than technical (specific micro-enterprise activities). Given the relative lack of depth in most NGOs and associations, which function on the strength of the managing director, such organizations must focus on their own development before they can offer good services to members or clients.

There are a number of potential NGOs and organizations to target, including Red Thread, the Caribbean Association of Women Entrepreneurs, the brand new Microentrepreneur Development Institute (MEDI), Amerindian People's Association, the Guyana Organization of Indigenous Peoples, and others. It is recommended that GEO, USAID, and key stakeholders agree on which NGOs to target prior to the arrival of the capacity development consultant.